

## THE BCCI AFFAIR

---

**HEARINGS  
BEFORE THE  
SUBCOMMITTEE ON  
TERRORISM, NARCOTICS, AND INTERNATIONAL  
OPERATIONS  
OF THE  
COMMITTEE ON FOREIGN RELATIONS  
UNITED STATES SENATE  
ONE HUNDRED SECOND CONGRESS  
SECOND SESSION**

---

**FEBRUARY 19 AND MARCH 18, 1992**

---

**PART 4**

---

Printed for the use of the Committee on Foreign Relations



U.S. GOVERNMENT PRINTING OFFICE  
52-727 ⇡ WASHINGTON : 1992

---

For sale by the U.S. Government Printing Office  
Superintendent of Documents, Congressional Sales Office, Washington, DC 20402  
ISBN 0-16-038458-3

## COMMITTEE ON FOREIGN RELATIONS

CLAIBORNE PELL, Rhode Island, *Chairman*

JOSEPH R. BIDEN, Jr., Delaware	JESSE HELMS, North Carolina
PAUL S. SARBAKES, Maryland	RICHARD G. LUGAR, Indiana
ALAN CRANSTON, California	NANCY L. KASSEBAUM, Kansas
CHRISTOPHER J. DODD, Connecticut	LARRY PRESSLER, South Dakota
JOHN F. KERRY, Massachusetts	FRANK H. MURKOWSKI, Alaska
PAUL SIMON, Illinois	MITCH McCONNELL, Kentucky
TERRY SANFORD, North Carolina	HANK BROWN, Colorado
DANIEL P. MOYNIHAN, New York	JAMES M. JEFFORDS, Vermont
CHARLES S. ROBB, Virginia	
HARRIS WOFFORD, Pennsylvania	

GERYLD B. CHRISTIANSON, *Staff Director*  
JAMES W. NANCE, *Minority Staff Director*

---

## SUBCOMMITTEE ON TERRORISM, NARCOTICS AND INTERNATIONAL OPERATIONS

JOHN F. KERRY, Massachusetts, *Chairman*

PAUL SIMON, Illinois	HANK BROWN, Colorado
DANIEL P. MOYNIHAN, New York	MITCH McCONNELL, Kentucky
CLAIBORNE PELL, Rhode Island	JAMES M. JEFFORDS, Vermont

## C O N T E N T S

---

### FEBRUARY 19, 1992

	Page
Bench, Robert R., Partner, Price Waterhouse, Former Deputy Comptroller for International Relations and Financial Evaluation.....	35
Prepared statement .....	9
Mulholland, Douglas P., Assistant Secretary for Intelligence and Research, Department of State .....	6
Vaez, Joseph, Senior Examiner, Office of the Comptroller of the Currency.....	11

### MARCH 18, 1992

Chinoy, Nazir, Federal Prisoner, Former General Manager, Bank of Credit and Commerce International in Paris .....	365
Lauro, John F. Esq., Zuckerman, Spaeder, Taylor & Evans, Tampa, FL .....	364

(III)



# REGULATORY RESPONSE TO THE BCCI AFFAIR

---

WEDNESDAY, FEBRUARY 19, 1992

U.S. SENATE,  
SUBCOMMITTEE ON TERRORISM, NARCOTICS, AND  
INTERNATIONAL OPERATIONS  
OF THE COMMITTEE ON FOREIGN RELATIONS,  
*Washington, DC.*

The subcommittee convened, pursuant to notice, at 2:05 p.m., in room SD-419, Dirksen Senate Office Building, Hon. John F. Kerry (chairman of the subcommittee) presiding.

Present: Senators Kerry and Brown.

Senator KERRY. This hearing of the Subcommittee on Narcotics, Terrorism, and International Operations will come to order.

This hearing marks the tenth public hearing that the subcommittee has conducted on the scandal of BCCI and questions arising out of that bank's operations here in the United States and elsewhere. The witnesses today are Mr. Joseph Vaez, Senior Bank Examiner at the OCC, Mr. Robert Bench, former Deputy Comptroller of the Currency and now a principal at Price, Waterhouse, and Douglas Mulholland, the Director of Research and Intelligence at the State Department.

Each of these people are experienced and capable individuals. All of them have devoted many years of their professional lives to public service and we appreciate their presence here today.

The focus today is the question of what information certain agencies of our Government had regarding BCCI and the question of what those agencies did or did not do, depending on what they knew at the time.

What we hope to gain today is a better understanding of how drug money laundering from a foreign bank entered the United States, and permitted this bank, notwithstanding certain information, to do what it did and most particularly to secretly acquire several financial institutions, including the largest bank holding company in the Nation's capital.

Two memoranda, one created at the OCC in 1978 and one created at the CIA in early 1985, will today provide new evidence that individuals and agencies in our Government knew a great deal more than many of us thought about BCCI and they knew it at a much earlier date than has previously been shown.

We have been pulling information over a period of a couple of years now or more. It is regrettable that it seems to dribble out in the way that it does. There is a history here of documents surfacing at some later date that contradict assertions that are made at

an earlier date by people who had reason to know of the existence of those documents at the time the earlier assertions were made.

Mr. Vaez of the OCC audited the Bank of America in 1978. He wrote a memorandum at that time on BCCI, an excellent memorandum, I might add, which we will release to the public today, and at that time the Bank of America had a large investment in BCCI.

In his memorandum, Mr. Vaez laid out in extraordinary detail the problems with BCCI, its nominee relationships, its bad loans, its shoddy management practices. This memo of 1978 laid out what many of us were shocked to find 10 years or more later. If you read this memo without the date, you might in fact have thought you were reading a memo about today's bank.

So 14 years ago Mr. Vaez saw the dark future of BCCI and he sounded an alarm bell. The memo makes it clear that if the Bank of America had not decided to voluntarily sever its links to BCCI in 1978, the OCC was ready to force the Bank of America out of BCCI.

The second memorandum was created by the CIA. The subcommittee has not seen this memorandum, so we don't know the details of what was in it. But we do know it was considered important enough by the intelligence liaison at the Treasury Department to have shown it then to the then Secretary, Donald Regan. We also know that the memo was shown to Mr. Bench, who is testifying today, who was Deputy Comptroller at the time, who believed it was important enough to have taken some action.

Today, however, Mr. Bench has been unable to tell us precisely what was in the memo or what action he took because the CIA considers both the memo's substance and Mr. Bench's action a classified matter. I must say, I don't understand how his action might jeopardize sources and methods, but we will discuss that at a later point.

We also plan to ask questions regarding a disturbing aspect of these two memoranda. Specifically, both of these memos apparently disappeared. Mr. Vaez' memo was not contained in the OCC's files. It is only available to us today because Mr. Vaez had the good sense to keep a copy in his personal files and he sent it to the OCC last summer when the agency issued an all-points bulletin for BCCI-related memoranda. Before that, his key memo about BCCI was missing from Government files for years, perhaps since the time of its creation.

Prior to last August, when Mr. Vaez had located the memo and sent it to OCC, none of the regulators trying to deal with the BCCI problems, including the Federal Reserve, even knew of the existence of this memo, let alone had an opportunity to read it. We personally on this committee did not learn of the existence of the memo until last month, when my staff went to the OCC and reviewed its files and after learning of the memo's existence we asked OCC to provide it to us. The OCC refused. As a result, the committee has voted unanimously to subpoena that memorandum from OCC in order that it would be available to the committee today.

I must say that congressional oversight is not facilitated when a congressional committee is forced by the executive branch to issue a subpoena for a routine document. It certainly raises questions

about whether or not OCC felt there was reason that they had something to keep from the public view.

The second memo, the CIA memo, has also apparently disappeared. The Treasury Department says it cannot locate the document, the CIA says it cannot locate the document, yet although the document itself is missing, by order of the CIA any reference to its substance remains classified, so Mr. Bench, who is the only person who seems to have any recollection about it, has been barred by the CIA from discussing the contents of the 1985 memo about BCCI.

I do not have to underscore how—on its face how seemingly insulting as well as ridiculous such a position is to a duly constituted investigative effort of the United States Congress. Having just returned from 5 days in Moscow with Senator Smith, where we were seeking information on POW-MIA files, to find Russian authorities who literally let us walk into the archives of the KGB and who are providing heretofore unseen materials which involve culpability of the former Soviet Union's officials in various activities, it is rather remarkable to us not to be able to get cooperation from our own agencies on an issue like this.

What is very sad also is the fact that we have been told before that the CIA memoranda on BCCI did not exist, when in fact it did exist. We were then told that only two memoranda existed, only to later learn that several hundred memos existed.

We have been told that the CIA had a very limited relationship with BCCI, but recently we have learned that a former head of the CIA, Mr. Richard Helms, who headed the CIA when BCCI was founded, aided BCCI in its attempt to take over First American in 1978. The former Director of the CIA actually advised a BCCI front man on the correct language to send to Clark Clifford to make sure that that front man would not be at risk as a result of acting as a nominee for BCCI.

I cannot help but state that this raises a question of whether this former Director of the CIA may have assisted BCCI in its initial take-over effort from the very beginning. It is a question—there is no answer, but it is a question the committee deserves to have access to information to be able to resolve.

We have had two hearings with the CIA to date. One was open and one was closed. Again, I think it is fair to say the committee was disappointed. We heard very little in the closed hearing that all of us felt could not have been stated in an open hearing, and all of us are sensitive to the fact that you have to protect sources and methods. There is not one of us who wants to compromise that, but the very fact is that Mr. Richard Kerr, then acting director of the CIA, admitted himself in the closed hearing that he had withheld information in public not because it was classified but simply because he personally did not believe that revealing the material was in the interests of our Government and that it might embarrass someone.

So again I say that it seems to me that it is well time for the CIA to not make its own rules like that, and I know that Director Robert Gates, with whom we are meeting later this afternoon, does not want that to be the policy. In fact, I understand from David Boren—from Senator Boren that he is poised to announce an entire

new open policy with respect to documents, but clearly this committee has yet to see that spirit of full openness with respect to the questions that remain for us.

Again, I want to express my thanks to Senator Brown, who has been not only a colleague but an ally in the effort to try to pursue these kinds of questions and have a full accounting of BCCI's criminal activity. Just last week, BCCI's liquidators with whom I have met finally waived the attorney-client privilege pertaining to BCCI, and hopefully that waiver, a copy of which we will place in today's record, will produce substantially more information to the committee.

So without further statement, let me turn to the ranking minority member, Senator Brown.

[The information referred to follows:]

NUSSBAUM & WALD,  
WASHINGTON, DC.,  
February 14, 1992.

Hon. JOHN F. KERRY,  
*Chairman, Subcommittee on Terrorism, Narcotics and  
International Operations,  
Washington, DC.*

DEAR MR. CHAIRMAN: This responds to requests from the Subcommittee, that our clients—the Court Appointed Fiduciaries for BCCI Holdings (Luxembourg), S.A., the Bank of Credit and Commerce International, S.A. and the Bank of Credit and Commerce International (Overseas) Limited—waive certain privileges possessed by BCCI.

In that connection, we are pleased to enclose a copy of letter dated February 23, 1992 to Robert S. Mueller III, Assistant Attorney General, Criminal Division, from Michael Nussbaum, Counsel to the Court Appointed Fiduciaries. The letter, executed in accordance with provisions of the Plea Agreement, between the Department of Justice, the BCCI defendants and others, provides a waiver of privileges and work product protection possessed by the BCCI defendants.

We trust the attached letter will be of assistance to the Subcommittee in its investigations and wish to assure you of our clients' continuing cooperation consistent with their authority, capacity and legal responsibility.

Sincerely,

BENJAMIN L. ZELENKO.

Enclosure: (2)

NUSSBAUM & WALD,  
WASHINGTON, DC.,  
February 13, 1992.

ROBERT S. MUELLER III,  
*Assistant Attorney General, Criminal Division,  
U.S. Department of Justice,  
Washington, DC.*

Re: Implementation of BCCI Plea Agreement

DEAR MR. MUELLER: We represent the Court Appointed Fiduciaries for BCCI Holdings (Luxembourg), S.A., Bank of Credit and Commerce International, S.A., Bank of Credit and Commerce International (Overseas) Limited and International Credit and Investment Company (Overseas) Limited (hereinafter "the BCCI defendants").

In accordance with Paragraph 17 of the Plea Agreement executed December 19, 1991 between the Department of Justice, the Court Appointed Fiduciaries hereby waive privileges possessed by the BCCI defendants, including the attorney-client privilege, the accountant-client privilege and work product protection with respect to all documents and other information existing and communications made, as of July 5, 1991. We do not in this regard that the Court Appointed Fiduciaries lack of power to waive banker customer confidentiality where such confidentiality exists, because such confidentiality belongs to the customer rather than the bank. We note further that the waiver of attorney-client privilege and work product is intended to be for the benefit of governmental authorities only.

You are authorized to disclose this letter to any court, and to any person possessing such documents or information. We represent to you that this waiver letter is being delivered to you with the authorization of the Court Appointed Fiduciaries.

Sincerely,

MICHAEL NUSSBAUM,  
*Counsel to the Court Appointed Fiduciaries.*

Senator BROWN. Thank you, Mr. Chairman. I want to thank you for calling this hearing. It would seem to me it is particularly important for us to followup on what appears to be a breakdown in the system, a system where information that was important and significant appeared to be available and was not passed on to the right authorities.

The real results of these hearings will come in changes in legislation and in procedures that will greater protect the public and improve the kind of service we offer. That has already been the case, as there have been three or four amendments that have been offered and adopted in a variety of forums and forms for improvement of the banking system. We think there is still work to do in that area, so the product of this hearing is a real and tangible change in the system.

Sometimes the system works well. Such a case occurred in 1978, when Robert Bench, who was then head of the OCC's International Division, noticed some magazine articles and other information that raised his interest and concern about BCCI. This early work made a real difference, because he took the step of asking that these concerns be looked into.

The report that came out as a result concerning BCCI played a key role, as the chairman has already outlined, in Bank of American distancing itself from BCCI, not allowing its good reputation to be used by this particular entity, and selling its stock in BCCI.

But that report contained startling, revealing information, information that indicated almost a quarter of BCCI's assets were either lost or doubtful or substandard, that BCCI's records were grossly inadequate, that BCCI lent money based on personal relationships with clients, even booking loans before they were reported to the board of directors, that BCCI's affiliate group, ICIC, borrowed extensively from BCCI on an unsecured basis with inadequate documentation, that some of the ICIC shareholders were nominees, and that BCCI's reissue of liabilities to capital was an astounding 33 to 1.

What is even more astounding is that this information apparently was generated in 1978, and resulted in positive action. What I think is of concern to this committee is understanding where there was a breakdown of the system. Here is an example of where the system worked. Someone was on the ball, following up on information and leads that they had read about, which resulted in a proper investigation and a report that was amazingly revealing, exposing the patterns that BCCI would use for years to come.

Yet somehow the system did not work well after that. That memo was not used as a point of reference for future considerations for BCCI, and the presence of at least two memos by the CIA apparently did not reach the proper people or invigorate action.

The bottom line in this hearing is going to come in two areas, No. 1, to discover exactly the contents of what those warnings

were, and No. 2, to find out why they did not reach the proper authorities so they could be acted upon.

I hope these revelations will lead to a change in the way the CIA operates, the Treasury operates, and other banking regulators operate so that we can be certain that this never happens again. What we are talking about making sure never happens again is not just BCCI's criminal activity, but we are talking about making sure that when information is available about fraudulent activities by banks, that that information is forwarded to the right authorities and that those authorities respond to it.

Mr. Chairman, I look forward to these deliberations. I think they will provide a key link in understanding the phenomenon of BCCI.

Senator KERRY. Thank you very much, Senator Brown. If I could ask you gentlemen now to stand so that I can swear you in, we will proceed with your opening statements. Would you raise your right hands?

Do you swear to tell the truth, the whole truth, and nothing but the truth, so help you God?

Mr. VAEZ. We do.

Mr. BENCH. We do.

Mr. MULHOLLAND. We do.

Senator KERRY. Did you say we do? I do, I presume. You are vouching for each of the others.

Gentlemen, we will be happy to receive your statements. Secretary Mulholland, I think you have an opening statement, am I correct?

Mr. MULHOLLAND. Yes, I do.

Senator KERRY. I do not know, Mr. Vaez or Mr. Bench, if you do, but we welcome now your opening statements.

#### **STATEMENT OF DOUGLAS P. MULHOLLAND, ASSISTANT SECRETARY FOR INTELLIGENCE AND RESEARCH, DEPARTMENT OF STATE**

Mr. MULHOLLAND. Thank you, Mr. Chairman and members of the subcommittee. I am Douglas Mulholland, Assistant Secretary of State for Intelligence and Research, and I am pleased to be here today to provide the subcommittee with information related to your investigation of the Bank of Credit and Commerce International.

From 1982 to 1987, I served as special assistant for national security to the Secretary of the Treasury. In that capacity, I was responsible for providing the intelligence information and support to the Secretary and principal officers in the Treasury Department.

More specifically, I directed the department's office of intelligence support, which was responsible for the following: ensuring that the Secretary and other senior policy officials received relevant intelligence information in a usable form and on a timely basis.

Second, communicating to the intelligence community the Department's requirements for collection and analysis of information.

Third, contributing information and analysis to national intelligence products, and fourth, representing the interest of Treasury in intelligence deliberations and decisions.

I would add that I was not responsible for producing substantive analysis of intelligence information. Most importantly, I never disseminated or coordinated or controlled the dissemination of intelligence information beyond the Treasury Department. The latter task is solely the responsibility of the agency within the intelligence community that produced the information.

I have a very limited memory of any specific documents, discussions, or events relating to BCCI, including any information that may have been introduced by the intelligence community during the mid-1980's.

Although I may well have discussed sensitive information on BCCI with senior department officials, including then-Secretary Donald Regan, that was not such an unusual experience as to ingrain such a discussion in my mind. In fact, my office received and processed literally thousands of pieces of information each week on a multitude of subjects, and I met with Secretary Regan on a routine basis.

As to other matters, though I may have no personal recollection, I am aware of certain secondary documents pertaining to BCCI and BCCI-related intelligence information that purport to record events and conversations in connection with the dissemination of such information.

I cannot vouch for the accuracy or completeness of these documents, but portions appear to be plausible. In my testimony, and as appropriate in response to your questions, I will try to make clear this distinction in order to avoid any suggestion that my personal recollection exceeds the fairly minimal level of recall which I have just mentioned.

With regard to BCCI, I recall only receiving one report during my time at the Treasury. I do not recall the date that I received it, but a secondary document produced by CIA indicates that it was in mid-January 1985. The report was hand carried to me by a CIA officer who emphasized the sensitivity of the report.

I also recall this report because of its unusual format. The report lacked any heading or identifying numbers, and was typed on a plain piece of paper. One substantive aspect of the report struck me as particularly surprising, but because this information was produced and remains controlled by CIA, I am unable to discuss with you today any of the substance.

Senator KERRY. When you say it remains controlled by CIA, what does that mean?

Mr. MULHOLLAND. It means it is a CIA produced document and report, and it is for CIA to make any decisions regarding the dissemination or release of this information.

Senator KERRY. Have you requested that they release it?

Mr. MULHOLLAND. No, I have not.

Senator KERRY. Is there any reason why not?

Mr. MULHOLLAND. Is there any reason why I should? It would seem to me it is the committee that wants the document. I have seen secondary sources which summarize the document, which, as I recall, seem reasonably accurate.

Senator KERRY. Would you have any objection to it being declassified?

Mr. MULHOLLAND. I have no objection to the committee seeing the report. Now it is up to CIA to make that decision however, Senator.

Senator KERRY. Well, is there not an interagency process by which this decision is made?

Mr. MULHOLLAND. No, the originating agency controls the document.

Senator KERRY. OK, thanks.

Mr. MULHOLLAND. All right. After receiving this report, I can state that based on my practice—

Senator KERRY. Can I interrupt you for just one second?

Mr. MULHOLLAND. Sure.

Senator KERRY. The document is missing, correct?

Mr. MULHOLLAND. It is my understanding that there is no copy of the document. That is correct.

Senator KERRY. Now, if there is no copy of the document, then there is really no document for them to, quote, release.

Mr. MULHOLLAND. Well, there is, as I understand, a secondary source which summarizes portions of what was purported to be the report.

Senator KERRY. OK.

Mr. MULHOLLAND. After receiving this kind of report, I can state that based on my practice I would have proceeded to determine the appropriate officers within Treasury who ought to see it. And after having done so, I would ensure that they were shown the report as soon as possible.

I have no personal recollection of anything relating to the report beyond what I have just stated. I understand that neither Treasury nor CIA, as I mentioned earlier, have been able to locate a copy of the report that was shown to me. However, I am aware of certain secondary documents that indicate that after receiving the report, I showed it to then-Secretary Regan and that we decided it should be shown to a senior official in the Office of the Comptroller of the Currency.

This is quite plausible, given the unusual nature of the report. But I cannot state from personal recollection that I showed the reporter to Secretary Regan. Assuming for the moment that our decision was indeed to show this report to the Comptroller's Office, I can tell you that during this period my principal contact at the OCC was Bob Bench, who was one of the senior OCC officials responsible for international banking matters.

I would likely have shown the report to Mr. Bench along with other intelligence information during one of his frequent, at least once a week, visits to Treasury to review information held for him. But again, I cannot testify on the basis of my personal recollection as to having shown the report to Mr. Bench or as to discussing the report or any aspects of BCCI's operation with Mr. Bench or any other official from OCC.

Subsequent to this early 1985 report, I do not recall ever seeing any follow-up reports on BCCI or BCCI-related activities during my tenure at Treasury. I understand that this subcommittee has a copy of a followup report on BCCI that has been designated by some as a 1986 report. I recently reviewed that document and I

have no recollection of ever having seen it during the period in which I was at the Treasury Department.

Before I conclude my statement, I would like to address the question of whether or not the Central Intelligence Agency may have provided information on BCCI to the Treasury Department with the expectation that Treasury would pass such information to other agencies with the Federal Government, such as the Federal Reserve. I must disagree with any suggestion to this effect.

CIA has sole responsibility for disseminating its intelligence to various agencies, including the Federal Reserve. My primary responsibility at Treasury was to ensure that the intelligence disseminated to Treasury was provided to the appropriate officers within the department itself. Whenever an intelligence report involving some possible violation of law came to my attention, I would see that the appropriate office within the Treasury Department was shown the report.

For example, if I were to receive a report on money laundering or on illegal shipments of narcotics or firearms, I would make certain that the appropriate enforcement bureau within Treasury saw the report. I would not nor was I ever expected to check to see whether such information was passed to DEA, the FBI, or other law enforcement offices outside of Treasury.

Determining distribution to other agencies outside the Treasury was always the responsibility of the originating agency. If I were asked whether a particular report should be shown to another department or agency, I would volunteer an opinion or make inquiries, but distribution of intelligence outside of Treasury was not my business.

Within the bounds of applicable security considerations, I will be pleased to answer any questions that you may have on this matter. Thank you.

Senator KERRY. Thank you very much, Mr. Secretary. Do you have an opening statement, Mr. Bench?

Mr. BENCH. I can make it brief or I can just submit one for the record.

Senator KERRY. All right, we will put it in the record and then we will come to inquiry.

[The prepared statement of Mr. Bench follows:]

#### PREPARED STATEMENT OF ROBERT R. BENCH

Good afternoon Mr. Chairman and members of the Subcommittee. My name is Robert Bench. I am a principal of the United States firm of Price Waterhouse where I serve as the National Director of the firm's Regulatory Advisory Services.

You have invited me to testify today about BCCI in relation to my work at the Office of the Comptroller of the Currency (OCC) and at Price Waterhouse. I am pleased to cooperate with the Subcommittee. I would like to begin by providing some background information about myself and my responsibilities, and then I will be happy to answer your questions.

After graduating from Boston University in 1965 with a Bachelor of Science Degree in Business Administration, I began a 22-year career as a National Bank Examiner at the OCC. In 1979, while I was on a sabbatical program from the OCC, I received a Masters degree in Public Administration from the Kennedy School at Harvard University. I am not an accountant or auditor and have not been trained as such.

Upon graduation from college in 1965, I was hired by OCC as an Assistant National Bank Examiner in Boston. In 1970, I received a commission as National Bank Examiner. In 1972, I moved to Washington to become Assistant Director of OCC's

growing International Division. The International Division was responsible for conducting overseas examinations of the expanding international activities of national banks, reviewing examination reports of U.S. banks' international activities at their head offices, and for coordinating with the Federal Reserve on applications by United States banks to establish branches and make investments in other countries.

After two years in that position, I was appointed Director of International Banking at OCC. Nine months later, I was appointed Associate Deputy Comptroller of the Currency and Director of Human Resources. As Director of Human Resources, I was responsible for reorganizing OCC's personnel function, including employee relations, development, training, recruiting and compensation.

In August 1977, I was appointed Associate Deputy Comptroller for International Banking, supervising a staff of approximately five in Washington and three in the OCC's London office. I reported to the Chief National Bank Examiner. This Division supervised the examinations of the overseas branches and international departments of some 100 national banks. Approximately 100 OCC bank examiners annually conducted reviews in about 20 countries around the world. We also coordinated our supervision policies with the Federal Reserve, including coordination on applications for branches and investments abroad.

From June 1978 to September 1979, as I explained, I participated in the OCC career development program at Harvard University's Kennedy School, where I concentrated on international financial policy and capital markets.

At the conclusion of my sabbatical in September 1979, I returned to Washington and became Assistant Chief National Bank Examiner and Deputy Director of OCC's recently-created Multinational Banking Division. The OCC formed this division to focus supervisory responsibility for our largest national banks because of the increasing organizational and technical complexity in examining them. My basic role in the division was to concentrate on special projects, studies and multinational banking issues.

In the fall of 1982, I became Deputy Comptroller of the Currency. I was asked to form a new unit for supervising the issues relating to loans to less developed countries. During the next five years, I dealt extensively and almost exclusively with various regulatory and supervisory issues relating to LDC debt. Together with a staff of five, in coordination with other banking agencies, I was responsible for drafting and implementing policies and practices for supervising the debt. We drafted regulations and attended meetings with the Federal Reserve and between banks and borrowers as technical advisors.

I also worked with bank supervisors in other countries on international banking and debt issues as well as participated in the Inter Agency Country Exposure Review Committee which examines the issues relating to LDC debt. LDC debt was my core responsibility.

In connection with my new responsibilities, I was asked to obtain a higher level security clearance and began to receive additional intelligence information in various forms. Over the next five years, I received literally thousands of pages of classified material.

After 22 years with the OCC, I decided to leave government service, and I joined the United States firm of Price Waterhouse in October of 1987. The firm, as well as other major accounting firms, had identified a need to strengthen the support available to its audit partners and its financial institution clients in their efforts to comply with increasingly complex bank supervisory requirements. That has been the focus of my practice responsibilities at the firm.

Since joining Price Waterhouse, I have provided assistance to partners of the firm and many financial institution clients on U.S. bank supervisory matters and other aspects of international banking. In the course of this activity, I was asked to assist BCCI in the development of compliance procedures, primarily centered on efforts to strengthen internal controls.

I would like to cooperate with this Subcommittee and to respond to any questions as completely as possible. However, as you know, I am under certain constraints which have been imposed upon me and which are not of my choosing. With respect to my work at OCC, I have been advised by the Treasury Department that I cannot reveal the contents or sources of the classified information I may have received. Before gaining access to this information, I was required to sign confidentiality agreements. Only the CIA and the Department of Treasury may release me from these obligations, and they have not done so. I understand that the Subcommittee staff has been attempting to resolve this issue, and I am happy to continue to cooperate with the Subcommittee and its staff in their attempts to do so.

With this in mind, I am pleased to answer the Subcommittee's questions.

**Senator KERRY.** Mr. Vaez, do you have an opening statement?

**Mr. VAEZ.** I do not have an opening statement.

**Senator KERRY.** Well, then, what I am going to do is begin the questioning to you, Mr. Vaez, so we can lay a foundation about the original document itself, and then Senator Brown will pose some questions initially to both Mr. Bench, and Mr. Mulholland.

Let me just say, regarding documents and production of documents, because I see Lorne Craner is here and Secretary Mulholland, you are here, the other day I made an inquiry of Secretary Baker, which I am not sure that he was prepped on or anything, but he responded forthrightly, immediately saying he would make documents available to the committee.

And I should say that often in these processes, results get lost, or good response is not made public, and only the criticism is what is heard. I want the record to make very clear, and Senator Smith and I said this morning when we held a press availability regarding that request and others, that we were extremely impressed and pleased with the response that State Department provided.

And Secretary Eagleburger immediately followed through, despite departmental difficulties. We arrived at a mutual agreement that was satisfactory to maintain the credibility of our process, but at the same time not do any damage to legitimate interests of the department. Within hours, six members of the committee were going through every document without any redaction, had an opportunity to ascertain what was in them, and subsequently they are being reproduced and made available or have been made available to the committee.

Now, I want to applaud the department for its response, for its rapid response, for its genuine effort to be open and accessible and helpful. That is exactly the way it ought to work. And I commend Secretary Baker, Secretary Eagleburger, and the department for doing that. And I hope that is the kind of cooperative effort that other agencies could see does not do them injury but rather helps this democratic process of ours work correctly, and I think everybody is well served by it.

**Mr. Vaez,** let me just very quickly establish background, if we can, for the record here. You joined OCC in 1970, correct?

#### **STATEMENT OF JOSEPH VAEZ, SENIOR EXAMINER, OFFICE OF THE COMPTROLLER OF THE CURRENCY**

**Mr. VAEZ.** That is correct.

**Senator KERRY.** And initially, you were in San Francisco, then you were transferred to London from 1975 to 1978, then to Washington in 1978. Correct?

**Mr. VAEZ.** Correct, sir.

**Senator KERRY.** And you became executive assistant to the senior deputy controller in 1982?

**Mr. VAEZ.** Yes.

**Senator KERRY.** And were transferred later to San Francisco as a director for bank supervision.

**Mr. VAEZ.** Correct.

**Senator KERRY.** In 1989, you were transferred to the multinational division, appointed a field director, and most recently, you are

the examiner in charge of the Bank of America and Security Pacific Bank Corporation. Correct?

Mr. VAEZ. That is correct, sir.

Senator KERRY. Now, at the time you were asked to learn about BCCI, is that correct?

Mr. VAEZ. Yes, sir.

Senator KERRY. You were asked by Mr. Bench to do that initial examination?

Mr. VAEZ. That is correct.

Senator KERRY. Your sources for information were what?

Mr. VAEZ. Primarily they were Bank of America files and documents.

Senator KERRY. Did you also gather a certain amount of information from public sources like Financial News and Financial Times, local press?

Mr. VAEZ. Yes.

Senator KERRY. So between Bank of America and what was in the public domain, you were able to ascertain the heart of the information that you contained in your memo. Is that correct?

Mr. VAEZ. That is correct. My analysis was extensively based on information that Bank of America had developed, and, as you pointed out, also information that was available in the London press.

Senator KERRY. And it is fair to say, is it not, that without great difficulty, you discovered that there was really a series of problems of fair significance, which is an understatement. Is that not correct?

Mr. VAEZ. My analysis of the information that was available to me led me to believe that the financial condition of BCCI was certainly questionable.

Senator KERRY. Let us be more specific. In 1978, you determined that about a quarter billion, \$226 million of BCCI assets, were either lost or unsubstantiated or doubtful as of 1977. Is that accurate?

Mr. VAEZ. May I refer to my memo, please? Thank you.

Senator KERRY. Absolutely.

Mr. VAEZ. I had files from the Bank of America available to me where they had completed a credit examination on BCCI as of September 1977. The files disclosed that there were a total of \$226 million in criticized or classified assets.

Senator KERRY. That is over half of BCCI's gross capitalization at the time, correct?

Mr. VAEZ. The total, Senator, was actually 3½ times their capital.

Senator KERRY. So there was a 294 percent borrowing relationship to gross capital, correct?

Mr. VAEZ. There was one entity that had commitments and outstanding in the amount of approximately \$185 million, which represented 290 percent of gross capital funds.

Senator KERRY. In addition, you found that their records were grossly inadequate, correct?

Mr. VAEZ. What I found was that the Bank of America records indicated that the records maintained by BCCI were inadequate.

Senator KERRY. You found that BCCI lent money based on, "higher personal relationships with major clients." Is that correct?

Mr. VAEZ. That is correct.

Senator KERRY. You found that they were booking the loans before they were reported to the Board of Directors, correct?

Mr. VAEZ. That is correct.

Senator KERRY. You found that BCCI's affiliate, the ICIC, borrowed, quote, extensively from BCCI on an unsecured basis and with inadequate documentation. Correct?

Mr. VAEZ. That is correct.

Senator KERRY. You found that some of ICIC's shareholders were nominees, correct?

Mr. VAEZ. That is correct.

Senator KERRY. And the word nominee was not your word, it was a word used by BCCI at the time, correct?

Mr. VAEZ. To the best of my recollection, that is correct, sir.

Senator KERRY. So you recommended, in fact, that Bank of America's entire investment in BCCI be classified as at risk.

Mr. VAEZ. Be criticized, Senator, yes.

Senator KERRY. And you concluded, and I quote from your memo, that the BCCI modus operandi is so incongruous to the Bank of America's management philosophy that Bank of America is painfully aware of its risk exposure and most certainly would expedite the disposition of this investment to terminate this potentially hazardous relationship.

Mr. VAEZ. That is my statement, yes.

Senator KERRY. After you wrote this memorandum, it was apparently lost at OCC?

Mr. VAEZ. I cannot attest to that, Senator.

Senator KERRY. Well, there is no record of the memo at this time in their files. Is that accurate?

Mr. VAEZ. I do not know if all the files have been totally searched. I know that I found my memo because I keep every memo that I write.

Senator KERRY. And the first time that this memorandum resurfaced to your knowledge was in 1991 of August when the OCC asked you whether they had any materials, correct?

Mr. VAEZ. That is correct.

Senator KERRY. What did you do with this information when you got it?

Mr. VAEZ. When I analyzed the information, Senator, what I did was I tried to capsulize it in my 12-page memo. I sent it on to the Washington office as requested by my then superior, Mr. Bench. Subsequently, I discussed it with Bank of America and we agreed that their business decision was appropriate and I encouraged them to proceed with due haste.

Senator KERRY. Which they did.

Mr. VAEZ. Which they did.

Senator KERRY. Thank you very much, Mr. Vaez.

At this time, I move to enter the Vaez memorandum into the record.

[The information referred to follows:]



# MEMORANDUM

Comptroller of the Currency  
Administrator of National Banks

Washington, D.C. 20219

To: Stephen R. Steinbrink, Senior Deputy Comptroller  
✓Jimmy F. Barton, Deputy Comptroller - MNB

From: Joseph E. Vaez, EIC - BankAmerica Corporation *[Signature]*

Date: August 15, 1991

Subject: B C C I

As you requested, I researched my personal files at home for information related to BCCI and found the report that I was asked to prepare in 1978 for the Washington Office by Bob Bench.

Please note that the results of this report were used in conjunction with my examination of Bank of America Europe, Middleast and Africa Division, at which time their investment in this entity was examined from a credit quality point of view. The results of that examination can be found in the report that I rendered during the first quarter of 1978. Also, to the best of my recollection, I discussed this relationship with then Executive Vice President Sam Armacost in London who subsequently discussed it with head office.

The bank's decision to terminate this relationship was primarily based on a business decision since they felt that any investment where they could not exercise a prudent amount of management or board control was not a risk worth taking. Please call me if there is anything else that you need regarding the enclosed report.

Enclosure



*To Jimmy Barron g/s*



# MEMORANDUM

Comptroller of the Currency  
Administrator of National Banks

Washington, D.C. 20219

cc: Joseph E. Vaez

cc: Robert R. Bench

cc: February 27, 1978

cc: BCCI

Joe thank you for the very fine report on the subject. It will be very helpful to all of us here.

## Office Memorandum • UNITED STATES GOVERNMENT THE COMPTROLLER OF THE CURRENCY

TO: Mr. Robert R. Bench  
Associate Deputy Comptroller  
for International Banking  
FROM: J. E. Vaez  
National Bank Examiner - London  
SUBJECT: BCCI Holdings (Luxembourg), S. A.

DATE: February 15, 1978

As per your instructions, I enclose the requested synopsis of the Bank of America's affiliate relationship with BCCI Holdings.

I have tried to capsule the Bank of America's credit examination conducted as of 9-30-77 to its most salient points. Exhibit II has been prepared from information gathered during my review of various files and I am of the opinion that it should be fairly accurate.

During the forthcoming examination of the Bank of America's Europe, Middle East and Africa Division I will be appraising this investment from a credit point of view. Should you have any thoughts on this subject, your observations would be appreciated.

Please let me know if you need additional information.

BCCI HOLDINGS (LUXEMBOURG), S.A.  
Holding Company

BACKGROUND

BCCI Holdings (Luxembourg), S.A. was formed on 12-31-74 as a Luxembourg holding company (tax purposes) to consolidate the activities of the Group's interests in various banking entities. On 12-31-75, subject exchanged its shares representing identical ownership of Bank of Credit and Commerce International S.A. (incorporated in September 1972), thereby causing the latter to become a wholly-owned subsidiary of BCCI Holdings.

The BCCI Group's major area of operations centers on the Arabian Gulf Region, with a very large concentration of branches in the United Arab Emirates. While a great number of branches have been recently established in the United Kingdom, it is reported that the majority of the business is continued to be generated from the Middle East branches and subsidiaries.

) OWNERSHIP

Refer to Exhibit I.

After a series of intricate transactions involving a stock dividend and two capital increases, Bank of America Group holdings of 180M shares of BCCI Holdings, until recently, represented a 30% ownership. During the latter part of 1977, following a rights offering in which B of A did not participate, its proportionate ownership investment decreased to its present figure of 24%. The 24% is partially held by BankAmerica Corporation (8%) and by Banerical International Financial Corporation (16%), an Edge Act subsidiary of B of A NT & SA.

CONGLOMERATE STRUCTURE

Refer to Exhibit II.

As depicted by Exhibit II, the extremely complex conglomerate structure is best illustrated in graphic format. This structural chart has been compiled from information gathered during a review of various files maintained by the Bank of America's Europe, Middle East and Africa Division, London, England.

) In addition to the ownership structure described by the above exhibit, BCCI Holdings and the Bank of America NT & SA participate in a joint equity investment in the National Bank of Oman, Muscat, Oman. BCCI holds a 29% interest, with B of A NT & SA holding 21%. B of A's management strategy is to retain this investment despite its plans to diversify its asset base.

- 2 -

CONDITION

As of September 30, 1977, B of A's Credit Examination Department conducted a credit examination which covered the activities of the following related entities:

Bank of Credit and Commerce S.A.

Bank of Credit and Commerce International (Overseas) Ltd.

BCCI Finance International Ltd., Hong Kong

Kuwait International Finance Company S.A.K.

The results of said examination compare rather unfavorably with previous examination results, as follows:

<u>Examination Date</u>	<u>Substandard</u>	<u>Doubtful</u>	<u>Loss</u>	<u>Total Classified</u>	<u>OADM</u>	<u>Total O. Classified</u>
6-2-75	34 764M	652M	163M	35 579M	2 317M	37 8
6-28-76	805M	123M	269M	1 198M	25 389M	26 5
9-30-77	31 396M	1 225M	1 124M	33 745M	192 325%	226 0

Above 9-30-77 results as a percentage of GCF:

49.90	1.95	1.79	53.64	305.70	3
-------	------	------	-------	--------	---

Above criticized/classified totals include the following concentrations:

McDonald Leyton

Unicon 19 164M \*

(Construction Company)

Al Furtain Group  
(Trading, Insurance and Banking) 17 043M

Gokal Group  
(Shipping/Trading) 122 462M \*\*

\* Subsequently adjusted to  
11,694M

\*\* Total Group borrowing relationship is said to approximate \$189M or approximately 29% of GCF.

In addition to the above summarized criticized/classified loan totals, the credit examination also disclosed the following risk exposures:

- (a) Due to the existing practice of highly personal relationships with major clients, deals are approved in London, booked in various branches, and reported at a much later date to the board of directors.
- (b) Obtaining and analyzing borrowers' financial information is a major weakness requiring prompt management's attention. Likewise, loan documentation requires immediate improvement.
- (c) Credit examiners were unable to determine the exact state of affairs in Group borrowings. Affiliate borrowing relationships are said to be poorly documented. Moreover, the ICIC Group, which is estimated to control 70% of BCCI, borrows extensively on an unsecured basis, sometimes unsecured basis. Also in a poorly documented manner.

CONFIDENTIAL

- 3 -

CONDITION

continued.

- (d) There is no internal maximum lending limit. There are several borrowing relationships which exhibit substantial concentrations, such as the Gokal group of companies (with commitments exceeding \$185MM), the Emirate of Sharjah (commitments exceeding \$75MM), and the Stinnes A.G. group with commitments exceeding \$89MM. Moreover, RE loans throughout the UAE approximate \$203MM; however, 50% of these are reportedly guaranteed by the ruling families.

LIQUIDITY AND CAPITAL

As of 9-30-77, liquid assets approximated 36.4% of TL and 38.6 of total deposits, indicating a relatively high degree of liquidity. Net loans approximate 55.5% of deposit liability, but are 17 times capital. Total deposits to GCF approximate a .31 to 1 ratio, while total liabilities are an even more disproportionate ratio of 33 to 1.

Total deposits of \$1,936MM are said to be mainly generated in the U.A.E., with the 9-30-77 composite breakdown being as follows:

IF Banks Demand	\$ 263MM
Other Demand Deposits	303MM
Savings and Time	1 244MM
Refinancing Funds from Central Banks	<u>126MM</u>
	\$ 1 936MM

The above deposit composition is indicative of the Group's substantial savings and time deposits which represent 64% of total deposits and are said to emanate from wealthy Arabian sources. It should be noted, however, that BCCI's name in the interbank market is virtually unknown, as the Group does not rely on the money markets for its source of funds. It may be argued that questions exist as to whether BCCI could generate large volumes of money market funds, if necessary. Hence, in a liquidity crisis, Bank of America could theoretically be called upon to fund the Group's needs and outstanding commitments.

EARNINGS

Consolidated profits for BCCI Holdings for the nine months ended 9-30-77 amounted to \$14,570M before taxes. By transferring a substantial portion of its loan portfolio from BCCI S.A. (Luxembourg) to BCCI Limited (Grand Cayman), management expects taxes to be paid for 1977 to be substantially lower than those paid in

- 4 -

EARNINGS

continued.

It is estimated that 1977 profits will peak at \$21MM before certain P & L adjustments recommended by Bank of America auditors, and before taxes and dividends.

Earnings trend on a fiscal year basis is depicted as follows:

	12-31-75	12-31-76
NFBT	\$ 6 695M	\$ 13 744M
Taxes	1 837M	3 684M
Dividends and Appropriations	2 181M	6 799M
Retained Earnings	2 677M	3 261M

Bank of America's credit examination reports that BCCI reserves 1% of their unsecured loans at year end; however, loans which are supported by RE mortgages, ship mortgages, pledged inventory, and assigned receivables are considered as being fully secured. It is the credit examiners' opinion that estimated loan loss reserves of \$3 607M (as of 9-30-77) are far short of the \$17 509M which would be required under Bank of America's policy which is basically computed as follows:

<u>Loan Portfolio</u>	<u>Reserve % Required</u>
Loss	100 %
Doubtful	20
Substandard	7.5
OAEN	1
Examined - Average quality	.75
Above average	.50
High quality	.25
Not examined	.75

MANAGEMENT

Mr. Agha Hasan Abadi is reported to direct the overall strategy of the BCCI Group and is assisted by a team of bankers considered astute and experienced. Throughout the Group, all managerial places are taken by expatriates (Pakistan).

While Bank of America opines that Mr. Agha Hasan Abadi has a real talent for leadership and that the officers of the bank are thoroughly engrossed by the concepts of hard work, customer service and rapid growth, it is the undersigned's opinion that the exhibited explosive growth (12-31-77 TA are estimated at \$2 205M or approximately 181% of 1975 TA) has obviously created strains on management.

- 5 -

MANAGEMENT

resources. Moreover, the lack of an effective system of loan reporting and related documentation further diminishes management's overall efficiency and control.

BANK OF AMERICA'S STRATEGY

It has been well publicized that Bank of America is contemplating full divestiture of its BCCI shareholdings. These reports have been appearing in the London market, particularly after the recent reduction of B of A's holdings from 30% to 24%, following a rights issue in which B of A did not participate.

Management reports that B of A has reached an agreement with ICIC (the major shareholder) which provides for the acquisition of B of A's stake over a three year period (1978-80); however, until such time as the divestment is fully complete, the Bank of America will retain a board member and a credit advisor.

As market rumors have been circulating with great anticipation, the Bank of America has publicly announced its intent to dispose of this investment, as it does not wish to increase its stake in entities where it has a minority holding with little management control. BCCI in turn has announced that severing the links with the Bank of America will enhance the Group's ambitions to break into the U. S. financial market, as its present structure would prevent it from U. S. market penetration.

CONCLUSION

It is the undersigned's opinion that the BCCI modus operandi is so incongruous to the Bank of America's management philosophy that B of A is painfully aware of its risk exposure and most certainly would expedite the disposition of this investment to terminate this potentially hazardous relationship.

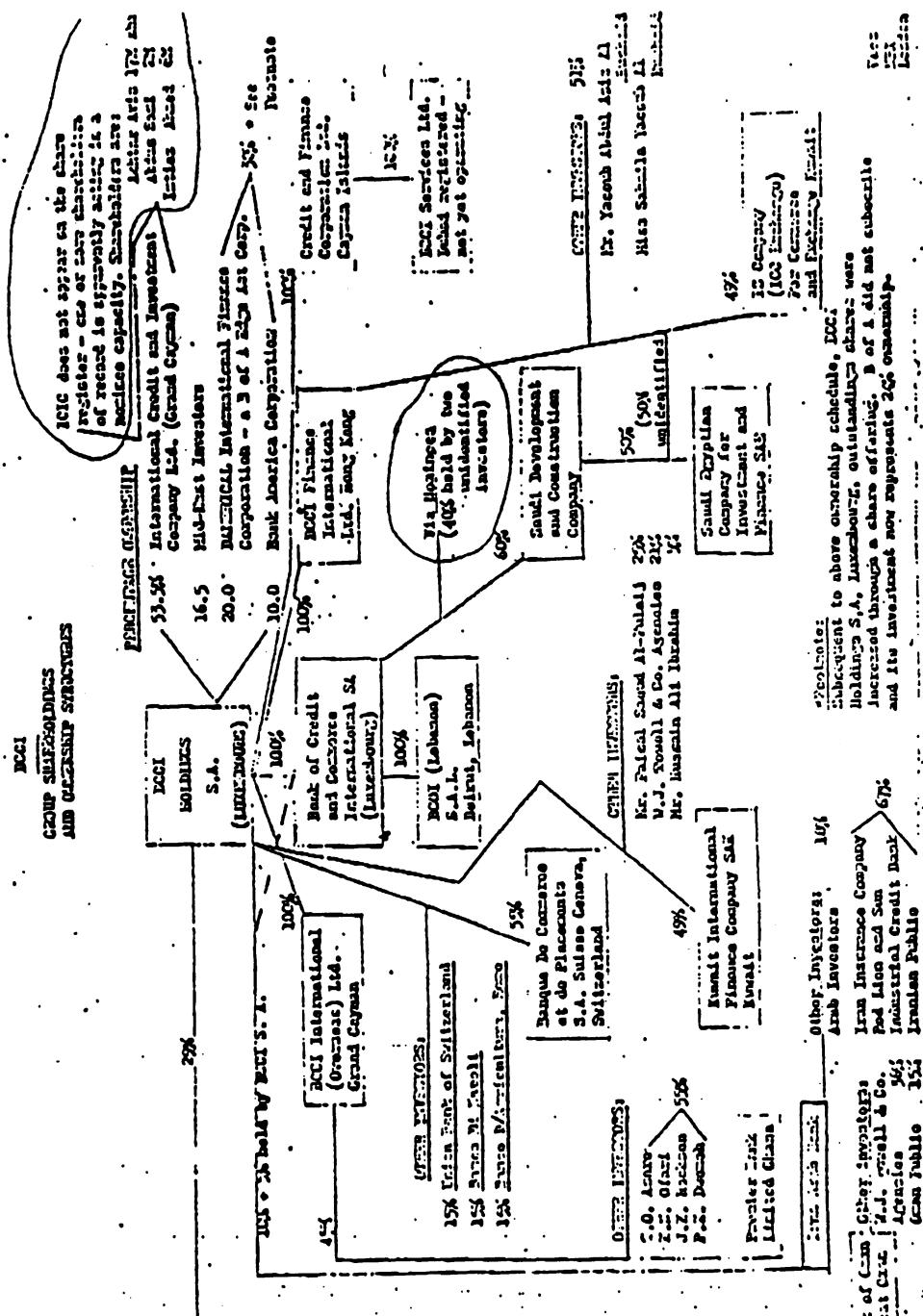
J. E. Vaez  
National Bank Examiner  
London, England.

## EXHIBIT I

continued.

Sheik Khalid bin Sultan Al-Jauzi	1 055	.2
Abu Dhabi, U.A.E.		
H.H. Sheik Mubarak bin Mohamed Al-Nahyan	4 235	.7
Abu Dhabi, U.A.E.		
H.E. Sheik Khalifa bin Zaid Al-Nahyan	4 235	.7
Abu Dhabi, U.A.E.		
H.R.H. Prince Mahmood Raza	4 235	.7
Tehran, Iran		
2 Mohamed Ahmed Suwaidi & Brothers	4 235	.7
Abu Dhabi, U.A.E.		
A. Reza	58	-
Tehran, Iran		
Ali Shorafa	1 058	.2
Abu Dhabi, U.A.E.		
Mohammed Swaich Naqvi	117	-
United Kingdom		
Undisbursed Shares	110	-
Total Outstanding Shares 9-30-77	600 000	100
	=====	=====

Exhibit II



## Exhibit III

Capsulized PS summary in U. S. Dollars (000's omitted)

BCCI Holdings (Luxembourg), S.A.

	<u>12-31-75</u>	<u>12-31-76</u>	<u>Interi 9-30-7</u>
<b>ASSETS</b>			
Cash and DF Banks	573 696	616 124	682 01
Investments - Stocks and Bonds	26 021	57 953	66 519
Due From Affiliates	57 606	54 120	146 704
Acceptances	12 023	22 362	33 835
Loans and Advances	511 882	857 981	1 075 543
Investments in Unconsolidated Subs.	7 927	12 654	14 125
Other Assets	21 669	41 076	79 678
Premises and Equipment	7 570	16 531	20 388
Total	<u>1 218 394</u>	<u>1 678 801</u>	<u>2 118 804</u>
<b>LIABILITIES</b>			
Deposits	1 151 098	1 560 029	1 936 325
Acceptances	12 023	22 362	33 835
Provisions for Taxes	1 901	5 459	5 271
Minority Interests		5 869	6 229
Other Liabilities	29 390	40 881	74 232
Total	<u>1 194 412</u>	<u>1 634 600</u>	<u>2 055 892</u>
Subordinated Loan	1 500	6 600	3 000
Equity Capital	22 482	37 601	59 912
Total	<u>23 982</u>	<u>44 201</u>	<u>62 912</u>
Total Liabilities and Capital	<u>1 218 394</u>	<u>1 678 801</u>	<u>2 118 804</u>
<b>Continent Liabilities</b>			
Foreign Exchange Contracts	20 217	57 051	60 161
Letters of Credit	196 819	333 980	305 125
Letters of Guarantee	92 767	231 770	263 794
Bills for Collection	18 670	83 193	101 543

Senator KERRY. Senator Brown.

Senator BROWN. Thank you, Mr. Chairman. In going through the memo that you produced, I notice there is a comment on subsection D that says there is no internal maximum lending limit. Obviously, within this country, we have statutory and regulatory guidelines with regard to lending limits.

Here was a bank that was obviously under other jurisdictions, though. Can you give us an idea of whether the failure to have any maximum lending limit or lending guideline is normal procedure or is unusual for international banks?

Mr. VAEZ. I have looked at banks elsewhere and, for the most part, there is a legal lending limit or there is at least a self-imposed lending limit. In the U.S., we do have a legal lending limit, which is 15 percent of gross capital funds, although it can be increased to 25 percent under certain circumstances. This entity had absolutely no self-imposed limit.

Senator BROWN. So even for an institution not subject to U.S. laws, this would be unusual.

Mr. VAEZ. It was not only unusual, it was imprudent.

Senator BROWN. Mr. Mulholland, let me go back through some of the information you mentioned in your statement. If I understood the substance of your remarks, it was to the effect that the Treasury Department does not control the distribution of intelligence information that the CIA might provide to it.

Mr. MULHOLLAND. Outside of Treasury.

Senator BROWN. That the decision is made solely by CIA.

Mr. MULHOLLAND. That is correct.

Senator BROWN. You mentioned that that was your responsibility while you were in that current assignment or in that assignment. Was that your responsibility alone or were there others that you worked with in determining the distribution list?

Mr. MULHOLLAND. I had a staff of about 19 people, including a watch office, and so there were, I guess, probably eight people that also were making dissemination decisions in my office.

Senator BROWN. I guess what I was trying to get at is were there others outside of your office that were involved in this or was this solely your responsibility?

Mr. MULHOLLAND. It was my responsibility. However, if someone outside who we had given that piece of information to recommended that the piece of information be given to someone else, we would make arrangements to see that that was done.

Senator BROWN. Can you tell us why you and your office decided not to distribute these memos to the Federal Reserve?

Mr. MULHOLLAND. I would not think about distributing information outside of the Treasury Department. If it was—if the information fell within an area of concern and responsibility for the Department of Treasury, I would see that it was delivered to that bureau. I would not think about other places that it could be disseminated to.

As I mentioned, we received a lot of information concerning money laundering, drug trafficking, and such. And I never worried about the information being disseminated to DEA or the FBI or other law enforcement organizations.

Senator BROWN. And this is the case even though Treasury is obviously closer related to the Federal Reserve. What you are telling me, I guess, is that there is another entity in the CIA that makes the decision as to what is distributed to the Federal Reserve?

Mr. MULHOLLAND. The CIA determines the distribution of its own reports, that is correct, be it Commerce, Federal Reserve, Treasury, or wherever. But they make the decision. They do not ask me as a matter of routine where to disseminate their reports. That is their responsibility.

Senator BROWN. So your decisions at that time were solely as to what entities within Treasury it should be?

Mr. MULHOLLAND. That is correct.

Senator BROWN. Now, who is it in the CIA who would make the decision as to what kind of information would go to the Federal Reserve?

Mr. MULHOLLAND. The person that originated the report would be the bureau—not the bureau—the regional office that originated the report. And there would be a reports officer who would be responsible for seeing that the report was properly formatted and disseminated.

So it would be a reports officer, presumably, that would, in consultation with others in his region, make the dissemination decision.

Senator BROWN. And that dissemination decision would then go to someone who had a similar job such as yours associated with the various departments and agencies?

Mr. MULHOLLAND. Not necessarily. In some places there was not a comparable intelligence liaison officer. People would go and brief the appropriate individuals when they had information.

Senator BROWN. How do we solve this problem?

Mr. MULHOLLAND. I think the answer, of course, is any time there is a report involving an alleged illegal activity, that the originating organization must be confident that they have given the report to the appropriate people in the enforcement community.

Senator BROWN. In your opinion, did they make the right decision in this case; i.e., a decision not to advise the Federal Reserve?

Mr. MULHOLLAND. Well, I am not certain in my own mind—I wasn't at that point, nor am I today as to the division of the enforcement responsibilities between the Office of Comptroller of the Currency and the Federal Reserve.

I'm not certain where you draw the line. When in doubt, one should send it to both organizations, I should think.

Senator BROWN. Let me try it a different way. The reports, in both 1985 and 1986, that summarized intelligence gathering information done by the CIA that related to BCCI apparently were not made available to the people who were in a position to regulate BCCI, and who have direct control over them to do something about the fraud that they were perpetrating. Do you believe the failure to advise the Federal Reserve was a mistake?

Mr. MULHOLLAND. Yes, in retrospect, I think that's correct.

Senator BROWN. Appreciating we are looking with hindsight, which is sometimes helpful, who was it who made that mistake?

Mr. MULHOLLAND. I don't know an individual, Senator.

**Senator BROWN.** Well, apparently it was not your operation, because you were not charged with that responsibility. Or to put it another way, perhaps, you are telling me that you were specifically not charged with that responsibility.

**Mr. MULHOLLAND.** That's correct.

**Senator BROWN.** From the point of view of protecting intelligence, I can appreciate the need to have a compartmentalization.

But if I understand what you have said, the decision on distribution would either be made by someone who was given purview over the Federal Reserve for distributing the information, or would have been made by the person drafting the report originally.

Are there any other entities?

**Mr. MULHOLLAND.** Well, it's really not one person responsible for disseminating information to the Federal Reserve at CIA. Nor is it necessarily the person that drafted the report.

There is a process that reports go through, and as part of that process, dissemination decisions are made. Now, as to who is responsible, you'd have to ask that question of CIA.

**Senator BROWN.** I can appreciate that some of the process may well be classified. I do not know. But it would be helpful to us if you would describe that process as you know it.

**Mr. MULHOLLAND.** Well, I was not in the collections side of CIA. I was on the analytical side. So I'm not conversant with the process in the collections side. I only have a very casual understanding of the process.

And as I described it, it is a process where the reports come in to the appropriate regional office. And there is a reports officer who presumably is in charge of seeing the reports are prepared in the proper format. And our decisions are made regarding dissemination.

Now further than that, I'm afraid I can't be of any assistance.

**Senator BROWN.** Do you know who the reports officer was at that time?

**Mr. MULHOLLAND.** No, I do not, Senator.

**Senator BROWN.** Mr. Chairman, I don't mean to belabor this point, but at least to the limited experience I had in the military indicated to me that it was important to pinpoint responsibility.

Mr. Chairman, I would like see us followup and see if we can identify the individual involved who made that decision.

**Senator KERRY.** I think we should do that. We might followup with Mr. Mulholland. What was the chain of command with respect to the movement of this information? You showed this to Secretary Regan, correct?

**Mr. MULHOLLAND.** The information was hand carried to me by an officer from CIA. I don't know the individual's name, nor would I recognize him if I saw him today. So, it was hand carried to me, and it was described as being a very sensitive report and had to be handled accordingly.

Secondary sources suggest that I record—I showed it to Secretary Regan and asked Secretary Regan—we discussed who it should be disseminated to within the Department of the Treasury. And the inference was that it would be a senior person in the Office of the Comptroller of the Currency.

And as I indicated in my testimony, that person most likely would have been Mr. Bench, who was a regular contact with my office.

Senator KERRY. Was there any discussion at that time with the Secretary about alerting law enforcement or bank enforcement outside of OCC?

Mr. MULHOLLAND. I have no recollection of talking with Secretary Regan. This is all secondary sources that I'm commenting on. And there's no reflection of any such discussion in those secondary sources.

Senator KERRY. Well, how many tiers of secondary sources are there?

Mr. MULHOLLAND. Well, there was a secondary source document that I saw that has this information.

Senator KERRY. You personally didn't have the conversation with the Secretary?

Mr. MULHOLLAND. I don't recall the conversation. The document says that I reported that I did. And it's very plausible that I did, indeed, have a conversation with the Secretary. But I have no personal recollection of such a conversation.

Senator KERRY. On how many occasions would you receive a memo of this order of magnitude with respect to bank misfeasance and malfeasance?

Mr. MULHOLLAND. I can recall no other case, Senator.

Senator KERRY. Did this strike you as egregious?

Mr. MULHOLLAND. Yes. My recollection, as I indicated, was that it was a very unusual report. One aspect of it was particularly striking to me, and that it was—the report was presented in an unusual format. There was no—it was not in the usual format of a report that I was used to receiving.

It was typed, as I recall, on a plain piece of paper. And that's the extent of my recollection of the report. I do not recall another report.

Senator KERRY. I am sorry to have interrupted you, Senator, but I thought this was important.

Senator BROWN. I thought it was. Do you want to go ahead?

Senator KERRY. How often would you receive reports at Treasury from CIA regarding individual banks?

Mr. MULHOLLAND. I have no recollection, Senator, of any comparable reports.

Senator KERRY. Did the fact that this appeared on blank paper rather than some form paper—why did that strike you as particularly odd?

Mr. MULHOLLAND. Because most reports appear in the standard formats that you are used to seeing repeatedly. And this was not what you would call a normal report.

Senator KERRY. Was it unusual that it was hand carried to you and delivered in that fashion?

Mr. MULHOLLAND. That happened occasionally, but that was not the routine. Yes, Senator.

Senator KERRY. What did you do immediately after you read the report?

**Mr. MULHOLLAND.** I have no recollection. All I have is a secondary source that reports that I went and discussed it with Secretary Regan.

**Senator KERRY.** Who is the secondary source?

**Mr. MULHOLLAND.** The secondary source was a source of CIA information.

**Senator KERRY.** So the CIA has informed you what you did with this report?

**Mr. MULHOLLAND.** Undoubtedly, I talked with a CIA officer regarding the report. And then he recorded that information. I have no record—

**Senator KERRY.** Did you have a secretary?

**Mr. MULHOLLAND.** Pardon me?

**Senator KERRY.** Did you have a secretary?

**Mr. MULHOLLAND.** Yes, I had a secretary.

**Senator KERRY.** Did the secretary record anything or have any memory of this?

**Mr. MULHOLLAND.** No. I believe Treasury Department has searched its records, and there is no record of it, Senator.

**Senator KERRY.** Was it ever logged in in anyway?

**Mr. MULHOLLAND.** It was not.

**Senator KERRY.** Is there a reason it was not logged in?

**Mr. MULHOLLAND.** I don't know the answer to that, except that it was given to me. I would assume that I would have put it in a brown envelope and stuck it in my safe, because it was a sensitive report.

**Senator KERRY.** Was the report sensitive in a way that indicated to you there was a reason to be concerned about this bank's future?

**Mr. MULHOLLAND.** I would never have thought of it in terms of this bank's future.

**Senator KERRY.** Well, was there anything in the report that indicated to you there was something sensitive about the relationship of this bank to U.S. policy?

**Mr. MULHOLLAND.** I cannot really get into the substance of the report, Senator.

**Senator KERRY.** Well, that is just a characterization. That is not saying what is in it.

**Mr. MULHOLLAND.** Well, it was a report reporting on the activities of the bank, which was, you know, unusual, yes.

**Senator KERRY.** Well, I do have some more questions about it, but we will check them out. Senator?

**Senator BROWN.** Thank you, Mr. Chairman.

**Mr. Secretary,** let me pick up at the point that you received the report.

**Mr. MULHOLLAND.** Yes.

**Senator BROWN.** Let me add that I appreciate that you are dealing with a time period that is some time ago. But at that time period, would not this information normally fall within Mr. Mulford's purview, within his area of review? Would he not have been the normal one that this information would be reported to?

**Mr. MULHOLLAND.** I would think not. As I say, I talked with, according to the secondary source, to Secretary Regan. And according to this report, I—we decided that I should show it to the Office of the Comptroller of the Currency.

Senator BROWN. Now I understand with regard to that, you did—your records show you did take it to Mr. Bench. Is that correct?

Mr. MULHOLLAND. Not my records. The secondary source shows, implies, that I took it to Mr. Bench. It characterized—

Senator BROWN. When you say the secondary source, can you identify that source for us?

Mr. MULHOLLAND. The CIA had the record, presumably, of my conversations with—

Senator BROWN. Is there an individual at CIA that possessed that record?

Mr. MULHOLLAND. I don't know who possessed it. It is there, yes.

Senator BROWN. Is there an office that would identify where the record is?

Mr. MULHOLLAND. No, but I'm sure one could find out where it is.

Senator KERRY. Well, who did you talk to? It is a simple question. Who did you talk to at CIA?

Mr. MULHOLLAND. Who did I talk to at CIA regarding what? The secondary source information?

Senator KERRY. Yes. Who is your secondary source?

Mr. MULHOLLAND. The secondary source is a piece of paper. It's a document.

Senator KERRY. Who gave it to you?

Mr. MULHOLLAND. It was given to me by the Operations Directorate.

Senator KERRY. What is his name?

Mr. MULHOLLAND. I forget the man's name. I can find it for you, Senator.

Senator BROWN. Well, I can understand that. We have the position and can followup. You then took it to Mr. Bench?

Mr. MULHOLLAND. That's according to the report, yes.

Senator BROWN. Do you have any recollection of doing that?

Mr. MULHOLLAND. I have no recollection of showing the report to Mr. Bench.

Senator BROWN. Well, the reason I ask, and I am intrigued with that, is that as I understand, Mr. Bench's testimony—we have not had a chance to review it with him—but that he indicates that this came in a stack of things rather than someone bringing it in to him.

And my question is, is this the kind of document that you would have let out of your possession, or is this the kind of document that would have required you to be present in the room when it was read and either have possession of it or have it in your sight?

Mr. MULHOLLAND. It could have been done either way, Senator. I could have given it to one of my associates and asked him to show it to Mr. Bench. Or, I could have asked Mr. Bench to come into my office and shown it to him.

Senator BROWN. If it was given to one of your associates, would he or she have let that out their sight? Or would they have required that whoever was reading it read it in their presence? Isn't there a certain class of material where you do not let it out of your sight?

Mr. MULHOLLAND. Well, it's not a question of letting it out of one's sight. If Mr. Bench came over, he would come into a room

where there was material available for him to read. And he would sit down and read it, presumably. It wasn't someone sitting and looking over Mr. Bench's shoulder to make sure he didn't walk off with anything.

Senator BROWN. If this was the kind of document that you hand carried to the Secretary of Treasury, is it likely that you would simply put it in a large stack of papers that would go in on Mr. Bench's desk? You, or whoever was handling it?

Mr. MULHOLLAND. No. It could have been—it would probably not have been just in with another collection. That's correct.

Senator BROWN. With regard to the information itself, you pointed out that that is someone else's decisionmaking responsibility in the CIA as to who it goes to.

Mr. MULHOLLAND. That's correct.

Senator BROWN. But when information of this kind has a significant impact on a related agency, does not someone ask whether or not the proper followup has been done? I mean, it struck me earlier that if you saw the building was on fire, somebody would call the fire department, even though that was not their job.

Mr. MULHOLLAND. I gave the report to the responsible individual in the Department of Treasury, according to the record. And that was the end of—

Senator BROWN. Your responsibility?

Mr. MULHOLLAND. My responsibility for it.

Senator BROWN. While they would not be able to send out copies of your report, or at least would face some restrictions in that area, I assume they would have the ability to contact people to investigate the problem. They could use that. They could act on that information without having the CIA's permission, could they not?

Mr. MULHOLLAND. When you're talking about acting on information that's from a sensitive report, this does present a problem. And the normal process is to—if you wish to take action based on a report, is to clear it with the originating agency to make certain you're not compromising the information.

Senator BROWN. Well, in that regard, did you or anyone in Treasury followup on this information, ask for further information, ask for followups on this subject?

Mr. MULHOLLAND. The secondary source shows that they did ask me for what additional information would be of interest and recorded that I mentioned some followup information that would be useful. Yes.

Senator BROWN. Was that requested by the Secretary or by Mr. Bench, or do you recall?

Mr. MULHOLLAND. I have no recollection. But it was attributed to me, Senator.

Senator BROWN. Is that the source of the 1986 document that was distributed?

Mr. MULHOLLAND. No. I only recall the one document, and that was the 1985—the January 1985 document.

Senator BROWN. Is there any indication that you received additional followup, the additional followup information that you requested?

Mr. MULHOLLAND. I have no recollection and there's no record that I'm aware that I did.

Senator BROWN. So there is a record that you asked for more, but no record that you did receive it?

Mr. MULHOLLAND. That's correct.

Senator BROWN. Mr. Chairman, I know you have some questions of Mr. Bench. Why don't I yield.

Senator KERRY. I have a few more for Mr. Mulholland before we get to Mr. Bench. I just want to establish, for the record to be clear here, you were detailed, were you not, to Treasury?

Mr. MULHOLLAND. That's correct, Senator.

Senator KERRY. Your basic responsibilities were at CIA. Is that accurate?

Mr. MULHOLLAND. I was a CIA employee. I was detailed to Treasury. And my responsibilities were working for the Secretary of the Treasury.

Senator KERRY. And you joined the Central Intelligence Agency in 1956?

Mr. MULHOLLAND. That's correct.

Senator KERRY. And what year were you detailed to the Treasury Department?

Mr. MULHOLLAND. 1982 to 1987, Senator.

Senator KERRY. Who detailed you—who assigned you to that position?

Mr. MULHOLLAND. Bill Casey interviewed me and asked me if I wanted, if I were interested in going over. I went over and talked with Secretary Regan. And then I was detailed.

Senator KERRY. Do you have any idea why Mr. Casey picked you for that particular slot?

Mr. MULHOLLAND. He was looking for an economist. And that's all I know.

Senator KERRY. Had you worked directly or performed work directly for Mr. Casey prior to that?

Mr. MULHOLLAND. No. My contacts with Mr. Casey were very minimal at the time he was there.

Senator KERRY. Can you just give us a sense of your responsibilities of this job at Treasury?

Mr. MULHOLLAND. Certainly. As I indicated in my prepared remarks, Senator, I was responsible for ensuring that the Secretary and other senior officials received the relevant information—intelligence information that we received in a usable form and in a timely manner. And to communicate in to the intelligence community the Department's requirements for collection and for analysis.

Senator KERRY. Did you also represent the Treasury Department at the Foreign Intelligence Board?

Mr. MULHOLLAND. Yes, that's correct, Senator.

Senator KERRY. Had you ever heard of BCCI prior to arriving at Treasury?

Mr. MULHOLLAND. Not to my knowledge.

Senator KERRY. In what capacity did you first hear of BCCI at Treasury?

Mr. MULHOLLAND. In my capacity as special assistant for national security, Senator.

Senator KERRY. That is when you first heard about them?

Mr. MULHOLLAND. I have no other recollection. That's correct.

**Senator KERRY.** Did you raise the issue of BCCI with the CIA on your own, or was it the consequence of some discussion that took place at Treasury?

**Mr. MULHOLLAND.** I have no reason—I don't recall at all. The secondary source suggests that they came to Treasury and talked with me about it.

**Senator KERRY.** Did you request from CIA to see any additional memos on BCCI?

**Mr. MULHOLLAND.** As I mentioned to Senator Brown, I gave them followup—not questions but areas where we would have interest.

**Senator KERRY.** After this memo was received, did you ever raise the issue with Secretary Regan again of BCCI?

**Mr. MULHOLLAND.** I have no recollection. And the secondary source only reports my meeting with him on this subject once.

**Senator KERRY.** Did you ever raise it with Mr. Bench again?

**Mr. MULHOLLAND.** I have no recollection of raising it ever with Mr. Bench, Senator.

**Senator KERRY.** Did Mr. Bench raise it with you?

**Mr. MULHOLLAND.** Once again, I have no recollection of raising this report or any other aspects of BCCI with Mr. Bench.

**Senator KERRY.** You did continue to receive memos on BCCI while Secretary Baker was Secretary of the Treasury. Is that correct?

**Mr. MULHOLLAND.** I'm not aware of any. I have no recollection of receiving any, Senator.

**Senator KERRY.** You personally have no recollection?

**Mr. MULHOLLAND.** That's correct.

**Senator KERRY.** But if the records were to show that Treasury received CIA memos on BCCI with increasing information, you would not know one way or the other whether that was so?

**Mr. MULHOLLAND.** That's correct, Senator. I have no recollection.

**Senator KERRY.** Well, did the process change? Did it stop going through you—the relationship from CIA?

**Mr. MULHOLLAND.** No, it was the same all the time I was there. You would have to check the records of CIA or Treasury to see if other reports were received. I have no recall of any other reports being received.

**Senator KERRY.** If the records show that CIA was delivering further memos to Treasury but you have no recollection, would that merely serve to refresh your recollection, or would it possibly have been a receipt of memos outside of your purview?

**Mr. MULHOLLAND.** Well, it's always possible that the CIA would disseminate information directly, as I know they did to the Customs Service, for example, and to the Secret Service, and to the—well, those two organizations, in particular.

**Senator KERRY.** Did you ever have some discussion of BCCI with any individual at CIA subsequent to the receipt of that memo?

**Mr. MULHOLLAND.** At CIA? I have no recollection, Senator.

**Senator KERRY.** You have no recollection of following up at all on any BCCI issue after this information that you described as quite startling was received?

**Mr. MULHOLLAND.** The secondary record shows that someone talked to me further about BCCI, and I provided followup ques-

tions. But I have no personal recollection of talking about BCCI with any CIA officer.

Senator KERRY. Can you recall talking about it with anyone else at all?

Mr. MULHOLLAND. No. As I had reported, my recollection is someone carrying the report to me, my reading the report, and that is the extent of my recollection of the BCCI.

Senator KERRY. Did the report that you received give you reason to question what the appropriate action might be with respect to this bank?

Mr. MULHOLLAND. I had no reason to consider that question, Senator. The secondary records show I talked with Secretary Regan and was recommended—a decision was made that I should show it to the Office of the Comptroller of the Currency.

Senator KERRY. Did the memo suggest any particular kind of action that ought to be taken by Treasury with respect to the bank?

Mr. MULHOLLAND. I was not in a position to know that, Senator.

Senator KERRY. You read the memo.

Mr. MULHOLLAND. I read the memorandum, but I had no—I do not profess to have an understanding of the regulatory actions that should be taken by Treasury based on this information.

Senator BROWN. Mr. Chairman, if I may interject a question.

Senator KERRY. Go ahead.

Senator BROWN. Mr. Secretary, help me understand why this would not have gone to the Assistant Secretary in charge of International Affairs at the time. Wouldn't Mr. Mulford or someone in his position have been the normal one you would advise in Treasury about an international bank?

Mr. MULHOLLAND. Mr. Mulford was—in his Office of International Affairs was the—did have responsibilities for international financial affairs and international monetary activities, but when I thought of international banking I would think primarily of the Office of the Comptroller of the Currency.

Senator BROWN. But would it be fair to say it was highly unusual to take this directly to the Secretary rather than the Assistant Secretary?

Mr. MULHOLLAND. No. I discussed reports with Secretary Regan from time to time.

Senator BROWN. So it was not unheard of that you talked to him, but I mean is it 1 percent of the reports that go directly to the Secretary, or 50 percent?

Mr. MULHOLLAND. I haven't the vaguest idea, Senator.

Senator BROWN. But wasn't that your job?

Mr. MULHOLLAND. Yes, but I don't recall, of all the hundreds of reports that I've seen, how many I took and showed to Secretary Regan.

Senator BROWN. Well, I mean, can you give us a guess?

Mr. MULHOLLAND. I have no way, no basis for doing this.

Senator BROWN. So it was somewhere between zero and 100 percent?

Mr. MULHOLLAND. That's correct.

Senator KERRY. Mr. Mulholland, when did you leave the Treasury Department?

Mr. MULHOLLAND. In June 1987, Senator.

Senator KERRY. And with what intention, or for any specific reason?

Mr. MULHOLLAND. To retire.

Senator KERRY. Did you have any specific plans with respect to retirement?

Mr. MULHOLLAND. No, I did not.

Senator KERRY. How long after you decided to retire did you hookup with the Bush campaign?

Mr. MULHOLLAND. In January of 1988, I joined the campaign and I spent all of 1988 and into January of 1989 with the campaign as a volunteer.

Senator KERRY. Who did you report to there?

Mr. MULHOLLAND. Brett Wacker, who was the chief that I reported to.

Senator KERRY. I beg your pardon?

Mr. MULHOLLAND. Brett Wacker, and I'm trying to think of what his title was.

Senator KERRY. You were doing what, research?

Mr. MULHOLLAND. I was doing research, Senator.

Senator KERRY. Did you have any contact during that period of time with the Central Intelligence Agency?

Mr. MULHOLLAND. No, none, Senator.

Senator KERRY. None whatsoever.

Mr. MULHOLLAND. None whatsoever.

Senator KERRY. And you came out of retirement in what year?

Mr. MULHOLLAND. I was confirmed by the Senate Foreign Relations Committee on June 9, 1989.

Senator KERRY. In your current position?

Mr. MULHOLLAND. In the current position, Senator.

Senator KERRY. I notice that we have a vote on, so we are going to have to interrupt here momentarily. I just want to make sure that we are clear on this so we understand what the parameters of dissemination were.

Other than the secondary source jog of your memory with respect to the contact you had with Secretary Regan, you have no recollection, and Mr. Bench you have no—or, you did not have contact with Mr. Bench, is that accurate?

Mr. MULHOLLAND. I have no recollection of contacting Mr. Bench on the specific BCCI report, Senator.

Senator KERRY. Do you have any recollection of anyone else with whom you discussed the report that you received from CIA?

Mr. MULHOLLAND. No, I do not, Senator.

Senator KERRY. Do you have any recollection of anyone else with whom you discussed BCCI?

Mr. MULHOLLAND. No, I do not, Senator.

Senator KERRY. Did BCCI cross your desk in any other respect, other than this memo?

Mr. MULHOLLAND. I have no recall of any other document on BCCI, Senator.

Senator KERRY. We do have some additional questions, obviously, for Mr. Bench and perhaps, Mr. Vaez, for you. If the parties could sit tight for a moment we will recess until we can get back from this vote.

[A brief recess was taken.]

Senator KERRY. The hearing will come to order. My apologies to all for the hiatus. Senator Brown is going to begin a process of questioning, if he can, of Mr. Bench. Director Gates of the CIA is out in back for a meeting that I previously scheduled with him, so I'm going to go back there and meet with him while Senator Brown questions you, then we will get back here and I will try to pick up and hopefully will know what went on.

Thank you. Senator Brown.

Senator BROWN. Thank you, Mr. Chairman. Mr. Bench, first let me commend you for a very alert job. As I understand it, it was almost some out-of-business reading that first drew your attention to BCCI. Would you be willing to share with us what it was in 1978, caused you to become interested in BCCI?

**STATEMENT OF ROBERT BENCH, PARTNER, PRICE WATERHOUSE,  
FORMER DEPUTY COMPTROLLER FOR INTERNATIONAL RELA-  
TIONS AND FINANCIAL EVALUATION**

Mr. BENCH. May I first, Senator, be careful not to take too much credit for anything. You had mentioned in your opening remarks that it was the reading of material that led me to ask Joe Vaez to do the inquiry in London. I just have to be honest and say I really don't remember what triggered my request to Joe.

But in response to your question, I do recall basic items in the international banking press that talked about BCCI as sort of a new phenomenon or a rapidly growing bank, an aggressive bank—who are they? Where did they come from? That kind of thing—which, based on my job, that was to pay attention to some of those things.

Senator BROWN. Describe for our record, if you would, the position that you held at that time.

Mr. BENCH. In 1978, I guess between September 1977 and June 1978, I was the Associate Deputy Comptroller of Currency for International Banking. That office was responsible for the examinations of international activities at banks' head offices, putting together examination trips and assignments to the foreign branches of U.S. banks, overseeing the London office of the Comptroller of the Currency, which at that time had three or four people that spent practically all of their time in the City of London examining branches of U.S. banks. Also, we had a corporate responsibility, in that we commented to the Board of Governors of the Federal Reserve on any applications by national banks to make investments overseas or to establish branches overseas. That was the plate.

Senator BROWN. If you would follow on with the story, then, you observed in the international press some comments about BCCI. You had made a request that they be looked into.

Mr. BENCH. Right.

Senator BROWN. What did you then do with the information that came back?

Mr. BENCH. I don't remember.

Senator BROWN. Would it be normal for copies of that research to stay in the files or to be forwarded to others?

Mr. BENCH. Well, if we forwarded it—I don't recall forwarding it to anybody. I don't recall receiving it, frankly. But, in any process like that, if we did send something out of the division, we certainly would have kept a copy for ourselves.

For whatever came in, whatever kind of examination report, generally our drill was that certainly one person would review it, generally a couple, and then put it in the appropriate bank file.

Senator BROWN. Going ahead now to your job in 1985 and 1986, if you would describe for us the responsibilities you had at that time and what your recollections are with regard to receiving the information on BCCI.

Mr. BENCH. Well, between 1982 and 1987 my primary responsibility was to head a unit that was in charge of the OCC's supervision of international lending by U.S. banks, which at that time was a mess.

I mean, there was the crisis of loans to less-developed countries. There were a whole series, over that period, of debt defaults, debt delinquency, debt restructuring, coordinating debt restructurings with the IMF and the World Bank and the banks, and there was a U.S. debt strategy where basically the banking agencies, the Treasury, a whole range of parties at interest, worked together to restructure loans and to try to work through the debt crisis.

That was what I was responsible for at the OCC. I was the OCC participant in any interagency activity, and we also ran the database for U.S. banks' loans to developing countries. We were the Secretariat to the Interagency Committee that rated loans to developing countries.

As part of getting those duties I was also asked to take on a higher security clearance and receive additional intelligence information, with the primary reason being that fit with the need to give oversight to situations in developing countries, the loans of developing countries, and situations in international capital markets.

Senator BROWN. Do you recall receiving or viewing the 1985 and 1986 CIA reports?

Mr. BENCH. Senator, I don't recall much of the thousands of pages of intelligence material I had to review during that time, frankly. I do recall reviewing a classified piece of information that dealt with BCCI.

Senator BROWN. At the point that—I take it that was in the 1985 area.

Mr. BENCH. I honestly don't remember, but it was somewhere in the middle of the 1982 to 1987 period. I feel comfortable about that.

Senator BROWN. What did you do about that information?

Mr. BENCH. I took a step.

Senator BROWN. You what?

Mr. BENCH. Well, I'm sorry, I should be—I should explain more. I received a document from the CIA. I recall receiving a document from the CIA that dealt with BCCI. To the best of my recollection it didn't deal with First American and it didn't deal with anything in the United States. There was an action step that I took within the office on that information.

Senator BROWN. Would you tell us what that was?

Mr. BENCH. I'm afraid—I've been advised that if I do that I threaten the confidentiality of the information, but I think the

point is I took a follow-up step. Nothing came out of that step, but I took a follow-up step because it took me outside of my principal role, which was to look at this information in terms of LDC debt.

Senator BROWN. Was there anything in the report you thought would be appropriate to advise other agencies or the Federal Reserve about?

Mr. BENCH. I didn't know. Frankly, I didn't know one way or the other. It was something I thought I might check out with a colleague, but then I had the difficult problem of: I can't tell the colleague what I have, and so I've got to think of a time and a way to ask the question, which I did, and the colleague kind of didn't think the information was right.

I should say, Senator, that frankly, over the years, looking at a lot of this stuff, a lot of it was inaccurate.

Senator BROWN. The intelligence information.

Mr. BENCH. Right. This was a little bit of an example of it, I mean just—that is one element that I do remember about looking at this information.

Senator BROWN. Do you recall how the information came to you? Was it separate, with a separate courier bringing it in? Was it in a pile of information?

Mr. BENCH. My recollection is that it came as part of the weekly package that I would go over to Treasury to see, or Treasury—I'd go over to Doug or his staff to see, or Doug or his staff would bring it over to me. My recollection is, it was in that process.

Senator BROWN. Did you receive any communication from the Secretary of Treasury with regard to this information? I mean, was there a note, please look into this? Was there anything to mark this as separate from all the other intelligence reports?

Mr. BENCH. Not that I recall. Not that I recall.

Senator BROWN. Help me with some background at this point, if you would. Walk me through the responsibilities of OCC versus the Fed and their roles in supervising banking, international banking.

Mr. BENCH. I would be happy to, Senator, as best I can do it.

Senator BROWN. You know, I don't mean for you to take all day, but if you could to clear the areas where there are some distinctions in responsibility between the two agencies.

Mr. BENCH. Well, the Comptroller of the Currency has the primary responsibility of regulating and supervising U.S. chartered commercial banks or national banks. The Fed is a supervisor of State chartered banks. That's one way to think of it.

The Fed also is the regulator and supervisor primarily of bank holding companies and in the context, I guess, of this hearing, also a primary regulator and supervisor of international investments under regulation K and Edge Act corporations.

The Comptroller, through affiliate statutes, those statutes that allow the Comptroller to look into affiliates, can technically wander all over a bank's organization chart if it's affiliated with it, but there tends to be conventional arrangements, that is the best way to say it, between the agencies where by statute the Fed has primary responsibility for holding companies, the Fed has primary responsibility for Edge Acts.

If for some reason there is any tension or conflict or need to coordinate, coordination usually occurs. The Comptroller might wish

to do something through its permissions in the affiliate statutes and bumps into, if you will, the area of the Fed. It usually gets worked out, but as a general rule the Fed has holding companies, Edge Act corporations, State-chartered commercial banks that are members of the Fed. The Comptroller has national banks, and if it wishes to, to reach out into affiliates.

Senator BROWN. Within that framework, if you had a report that indicated BCCI illegally owned a U.S. financial institution, should that be the responsibility of the OCC or the Fed?

Mr. BENCH. I think the answer is both. Some people would argue that it's the Fed.

Senator BROWN. Whether it's a State-chartered bank or a federally chartered bank?

Mr. BENCH. Well, if it's a State-chartered bank, then I guess it would. It's the responsibility of the Fed. If it's a national bank, you could argue it's the responsibility of both, if there's a holding company arrangement involved.

Senator BROWN. What about substandard banking practices? Where would a report like that—basically the same split, depending on which banks they supervise?

Mr. BENCH. Generally, yes.

Senator BROWN. What about illegal arms sales and drug-related transactions?

Mr. BENCH. Well, I think the answer there is that's new for everybody, but both agencies have enforcement divisions that tend to liaise with enforcement agencies at the department level and then across, but it would go through those kinds of arrangements. If Joe Vaez in his examinations of a U.S. bank finds a criminal activity, he would refer it to the OCC enforcement shop, which I think then refers it on to other agencies.

Senator BROWN. The Vaez memorandum, would that have been filed and saved in some way?

Mr. BENCH. It should have been, yes, sir. We had—just to explain, we had extensive multicolored, coded files at that time by bank, and then within each bank segment by either foreign branch or foreign investment, and they were full.

My reaction to what you all have been saying is—my reaction is that for the BCCI report we would have put it in the Bank of America drawer, Luxembourg investments, and that was either a color code red or a color code green.

Senator BROWN. So it would not only have been filed, but it would have been cross-indexed in a number of files.

Mr. BENCH. Maybe. Maybe, but it would have been in that segment of the file where it was supposed to be.

Senator BROWN. Would the information turned up in the memo have triggered other investigations at the time?

Mr. BENCH. I'm sorry, the memo that I saw?

Senator BROWN. No. I believe this was before BCCI had extensive holdings inside the United States.

Mr. BENCH. No. My recollection is no. It was a discrete piece of information, Senator. I guess my best recollection is—the way you asked the question—I can't think of any other linkages.

Senator BROWN. What suggestions do you have for us? What kind of improvements can you think of that would prevent this

kind of banking irregularity, this banking fraud, scam, information—how do we stop it from slipping through the fingers?

Mr. BENCH. Well, I guess one answer might be to make certain that, whoever has the information, they understand how the bank regulatory apparatus works and who is responsible for what, and who are the various parties at interest?

I mean, the Federal Reserve is the nerve center of the modern economy and they have a lot of regulatory and supervisory responsibility, and they link the domestic economy and the international capital markets. They're a player.

The FDIC has to insure all of this, and one could argue that a more structured, formalized set of arrangements for this information would be worthwhile.

Senator BROWN. I wouldn't want the occasion to pass without giving you a chance to address now you ended up doing work for BCCI on Price Waterhouse's BCCI account.

Mr. BENCH. Yes, sir.

Senator BROWN. Would you relate to us how that came about?

Mr. BENCH. Yes, I would be happy to, Senator. Essentially, I received a call from an attorney who was at the law firm of Arent Fox who, was not, as it turned out, not involved in the work Arent Fox was doing for BCCI. His basic message was that, his attorneys are struggling with a whole glossary of banking terms and instruments and they really could use a person like me to explain what they have.

My response was, that Price Waterhouse of the United States is the auditor of the U.S. activities of BCCI, why don't you just tell your partners that and then, that I am with Price Waterhouse and the firm will consider providing technical assistance to the attorneys on debits and credits and bank entries and those kinds of things, which is in effect what happened.

We were called in to provide that technical advice. As we provided that technical advice, we took a view that there really hadn't been enough thought about—obviously their concentration was on the indictment—another set of authorities out there. They hadn't considered the banking agencies and the bank examiners. I was sure they are going to have to address all kinds of questions from them, as well, because usually if you have some kind of thing like money laundering, it would be viewed, from an examiner's standpoint, as an internal control failure.

So to make a long story short, Senator, that led us to giving advice on the whole area of compliance, to meet bank examiner expectations and to make certain that the operations of the BCCI agencies going forward were in the best of shape and that while everyone was defending an indictment on money laundering, that our work would ensure that it would never happen again.

And that's the gist of what we did.

Senator BROWN. If I understand correctly, on February 1, 1989, Price Waterhouse wrote to Mr. Altman talking about the benefits of their services to BCCI. Presumably, that directly included your services. Was it your understanding at the time that Mr. Altman was the representative of BCCI or just their counsel? At the time, what relationship did you envision Mr. Altman had?

Mr. BENCH. It was our understanding that Mr. Altman was the basic head of the legal team that was put together to defend BCCI in the money laundering indictment. That is my recollection.

Senator BROWN. No discussion at that point of his role with First American, or the BCCI connection to First American?

Mr. BENCH. I understand. I don't recall any discussion of his role with First American. My recollection is, he was in charge of the legal team put together to defend BCCI in the indictment.

Senator BROWN. You probably have a unique perspective on this problem, maybe more unique than anyone that I know of, in that you not only were one of the first ones to spot the problem, you also asked that it be researched. It was also under your purview that the earliest signs were first acted on. Having had an opportunity to be on the other side of it, in terms of offering advice to the people in BCCI who were faced with the problem of cleaning it up—in retrospect, what kind of recommendations would you have for us?

How do we get at an entity like this that has avoided living within U.S. requirements by being chartered in the Grand Caymans or Luxembourg or whatever? What can be done that makes sense?

Mr. BENCH. I think things are being done. My image of this situation is the most serious problem is one of accountability and governance over financial institutions, be they domestic or international.

To put in the international context, the business of governance gets even more complex. But in terms of traditional regulatory methods, being matched to the realities of today's market place, we have interdependent markets, the money moves quite fast. You basically have some obsolete regulatory arrangements and certain institutions can operate within those, some institutions can take advantage of those, some institutions can arbitrage obsolete jurisdictional arrangements.

Within institutions, across the financial services business, not just any one institution, there is a major stress factor from trying to manage the pace of change in the financial services business. That change puts a lot of challenge to directors and management, internal controls, auditors, regulators, the whole system.

The good news here, I think, is that if you look around the world today, an awful lot of governments are very busy: modernizing their regulations, modernizing the way they supervise banks, thinking much more about "fit and proper" tests for management, thinking a lot more thought about the role of the auditor in the supervisory process, and there is a lot more discussion about disclosure.

There is tremendous discussion about, as you can imagine, no bank being allowed to operate internationally unless it has a home country supervisor that takes responsibility for it, unless that supervisor is able to take a global consolidated view of what it is responsible for, and unless there are lender of last resort facilities available from a responsible source to back this institution in the marketplace.

I am not familiar exactly with what is going on in the Basel Supervisors' Committee, but my understanding is they are aggressive-

ly looking at that kind of much stronger structure to govern any bank that operates internationally.

Senator BROWN. In a way, the accounting profession has done more to develop an international standard in these areas than almost any discipline that I am aware of.

What would have helped spot this problem, or a portion of it, early? An international audit? The requirement of the availability of an international audit of the books? A test to certain basic standards?

Mr. BENCH. Let me beg off oneway, and that is, I myself am not a CPA and not licensed to practice as an auditor. I think as a former bank supervisor. There is a lot of talk about things needed to be more uniform, across borders and across countries, about is the rules or accounting, or what have you, work.

To a degree, I think my own reaction to that is "uniformity" may be an unrealistic goal. Do we have a lot more equivalence, compatibility and consistency across indigenous accounting regimes or supervisory systems, a lot more compatibility across borders as to what disclosure means, those sorts of things? Yes. I think the accounting industry is much more conscious of that. I think the bank regulators are much more conscious of the need for that.

Senator BROWN. I am thinking of the tests that were developed in the Vaez report. Some basic, generally accepted accounting procedures would give an enormous amount of information with regard to the soundness of an institution. It may be that the accounting profession can accomplish something in this area that our statutes would have difficulty doing.

Mr. BENCH. Can I answer that? Joe's report had language—"specially mentioned" "substandard," "doubtful," that kind of term—all of which mean something to bank supervisors in the United States. What is incredible is that in the last 5 years or so, that kind of analysis and thinking about banks has been adopted by a large number of other countries.

So, there is equivalence occurring at the technical level across a number of governments in terms of bank supervision. And there is, across many governments, a trend, including our government, we just legislated it last fall, establishing a better linkage as to what the responsibilities of the accountants are, vis-a-vis, the responsibilities of the bank regulators and bank supervisor.

So I am honestly encouraged that there are these building blocks being put in place to address the reality of today's financial system.

Senator BROWN. Thank you.

Thank you, Mr. Chairman.

Senator KERRY. Thank you very much, Mr. Bench. I apologize for the back and forth here. Let me say for the record that we just met with Director Gates of the CIA. Secretary Mulholland also met with us for a moment, and I want the record to reflect that Director Gates was very helpful and that Secretary Mulholland has shared with us the summary of the memo. There are some efforts now ongoing to see whether or not that memo can now be produced or reproduced in some form and I am appreciate both to Director Gates and to you, Mr. Secretary, for your assistance in that regard.

I just have a few more questions to try to tie the loop here. I might add also that Director Gates informed me that he has in

direct response to the BCCI investigation and to some of the revelations with respect to earlier CIA communications process, has issued a new set of orders and instructions within the CIA which he is sending over to me this afternoon, but which have changed their procedures with respect to known criminal activity.

And I think that is a welcome step and a welcome outgrowth of this investigative process.

At this time, I also wish to insert in the record certain documents pertaining to Mr. Bench and Price Waterhouse.

[The information referred to follows:]

100 LEADENHALL STREET LONDON EC3A 3AD

DATE February 8, 1989.

FROM M A Faruqui

TO Mr Saleem Siddiqi

SUBJECT PW, N.Y. DRAFT PROPOSAL

1. PW, New York, Draft Proposal of February 1.,1989 to Mr Robert Altman for BCCI's defense in the Tampa case and Regulatory matters arising therefrom.
2. The draft letter was discussed by Mr Altman in the meeting yesterday in which the 2 Task Forces were also constituted. It was mentioned that the PW proposal will be seen by Task Force 2 which would develop a management response to the draft proposal.
3. On the 8 "Principal areas of Assistance" in the draft proposal, Mr Naqvi has made some preliminary comments which are attached.

4. MY VIEWS:

PW are being engaged as consultants for the lawyers. They are to work with bank's designated staff, primarily Task Force No.2. Their engagement arises from the Tampa case and, in my view, the scope of work should be limited to USA operations. They should take advantage of the comprehensive and excellent work which, I understand, the Internal Control and Compliance group has so far done. This will provide direction and eliminate duplication. Their scope of work should be along the lines of following 5 points :

1. Advise BCC on the transactions mentioned in the indictment and form an opinion thereon so that, if necessary, give evidence in Tampa court.

As regards BCC's U.S. operations :

2. Review and advise BCC Regional Office and Agencies on -
  - (A) Credit policy/manual of Credit Management.
  - (B) Operations Manual.
  - (C) Management information system between Agencies - RGM - Support Centre - Management structure best suited to each Agency - RGM - S.C.
  - (D) Compliance manual particularly relating to new Laws of money laundering.
  - (E) Audit Manual.

2.

3. Assist, as requested, BCC in implementing the enhanced criteria and strengthened procedures.
4. Test audit agencies, Regional Office, Support Centre that new enhanced system working.
5. Assist, as requested, BCC in meetings with U.S. Regulators and satisfying them of BCC's commitment to the integrity of its operations in U.S.



M A FARUQUI

enc:

COMMENTS OF MR NAQVIPARA 1

Direct dealing with Regulators will be Task Force No.1. That Task Force will determine when and to what extent P.W. has to deal with Regulators. However, P.W. will assist Regional Audit/Compliance Officers in compliance of regulatory requirements. This will be determined by Task Force No.2.

PARA 2

Function of Task No.1 in a different way.

PARA 3

This is a policy matter yet to be decided.

PARA 4

This is the initiation of Regulatory Authorities. Task Force No.1 is responsible for such negotiations.

To be negotiated by Mr Altman.

PARA 5

To be discussed.

PARA 6

No comment.

PARA 7

Not required at present.

PARA 8

To be discussed at a later stage.

PRICE WATERHOUSE  
NEW YORK OFFICE

Copy for M. Ferguson  
6-2-69

TELECOPIER  
COVER SHEET

TO Alan Middleton COMPANY: BCCI - Regional Office  
FROM Deept. Tyler COMPANY: Price Waterhouse

THE FOLLOWING ARE THE TYPES OF MACHINES WE HAVE AND  
THEIR TELEPHONE NUMBERS.

- PANAFAX PX 100 Telephone Number 212 355-0688
- BURROUGHS DEX 3700 Telephone Number 212 688 5460

NUMBER OF PAGES TO FOLLOW:  
(Not including Cover Sheet)

MUST FILL OUT

IF YOU ARE HAVING DIFFICULTIES IN RECEIVING DURING TRANSMISSION,  
PLEASE CALL (212) 371-2000, Extension 3918 BETWEEN 9:00 A.M. AND 6:00 P.M.

SPECIAL INSTRUCTIONS: \_\_\_\_\_

---

---

---

---

---

DRAFT

February 1, 1989

Robert A. Altman, Esq.  
Clifford & Warnke  
815 Connecticut Avenue, NW  
Washington, D.C. 20006

Dear Mr. Altman:

The purpose of this letter is to outline areas where we feel we can be of assistance to you and your clients, the Bank of Credit and Commerce International (Overseas) Ltd. and the Bank of Credit and Commerce, S.A. ("BCCI"). We believe that the results of our work will be of benefit not only to the defense of the current indictment, but also in improving relations with banking regulators and ensuring the long-term prosperity of BCCI.

We believe that as a firm, we are well placed to assist you. We have personnel who are experienced with dealing with banking regulators, and through our strong client base, we have a high degree of comprehension of international banking. In addition, as independent accountants to BCCI, we already have a good understanding of their operations on a world-wide basis.

Our proposed work falls into two parts; regulatory assistance and improvements in controls and procedures. It is envisaged that we would start this work in the United States (1-6 below) and it would then, by agreement, be expanded to a global review (7-8 below). We believe that for BCCI to be successful in its defense efforts and for Price Waterhouse to be of full assistance, step 5 (below) must be undertaken in conjunction with steps 1-4.

**DRAFT**

February 1, 1989  
Robert A. Altman, Esq.  
Clifford & Warnke  
Page 2

**PRINCIPAL AREAS OF ASSISTANCE**

Based upon our recent discussion with you, we outline below the principal areas of where we think we can assist the management of BCCI:

1. Begin work immediately with state banking regulators on the current supervisory standing of the bank. This would necessitate visiting California to assess the problems and try to regularize them, as well as dealing with the authorities in New York and Florida to stabilize relations.
2. Advise the Federal Reserve Bank about the degree of instability with state authorities and attempt to work with them to achieve a stable Federal - State supervisory environment for the Bank.
3. Consult and work with the OCC about converting the diverse state licenses into a series of federal ones for BCCI.
4. Work with the Federal Reserve Bank and the OCC on an immediate medium-term set of supervisory arrangements for the bank. This would include presenting these bodies with a set of initiatives and promises to satisfy supervisory expectations they may have.

Fees for steps 1-4 are estimated at between US\$125 - 150,000.

**DRAFT**

February 1, 1989  
Robert A. Altman, Esq.  
Clifford & Warnke  
Page 3

5. Review policies and procedures at BCCI locations in the United States. This review would pay particular attention, as you may direct, towards prevention of money laundering, and procedures with respect to deposit taking, account opening, wire transfers and extension of credit. We would review BCCI's written policies and procedures and visit BCCI locations in the United States to test their application. The review would identify deficiencies in policies and procedures and also any areas of non-compliance. Limited review of the transactions cited in the indictment would be undertaken in so far as these are relevant to an understanding of the general system of controls currently in place, although we would have regard to the work already done by you and the other law firms. The review would also contemplate the adequacy of BCCI's internal audit and other monitoring efforts. BCCI's immediate acceptance of such a review and willingness to implement recommendations would assist in our discussions with the Federal Reserve and OCC by providing evidence of the Bank's commitment to the integrity of its operations. (US\$150 - 200,000)
6. Assist management in the implementation of recommendations identified in 5. above. The objective of this work would be to ensure that BCCI achieves the best possible systems of internal control.

**DRAFT**

February 1, 1989  
Robert A. Altman, Esq.  
Clifford & Warnke  
Page 4

Fees for this step will need to be discussed after the results of step 5 are known.

7. Work with BCCI officials on an immediate to medium term plan to regularize the bank's regulatory and supervisory status on a global consolidated basis. This would necessitate visiting key supervisors around the world and learn of their concerns and expectations and provide the framework to enable BCCI to meet these expectations. (US\$100,000 plus)
8. Review policies and procedures at BCCI locations outside the United States to identify areas for improvement and to assist management with the implementation of our recommendations. Where appropriate we would have regard to work already carried out by other Price Waterhouse offices. Fees for this step will need to be discussed at a later stage after the results of 5 & 6 are known.

#### ENGAGEMENT ARRANGEMENTS

Our work will be performed under your direction and that of the other three principal law firms involved in BCCI's defense and the reports, data, worksheets or other documents we prepare in connection with this engagement will be submitted only to you.

**DRAFT**

February 1, 1989  
Robert A. Altman, Esq.  
Clifford & Warnke  
Page 5

Any memoranda, data, worksheets or other documents we prepare in connection with this engagement will be submitted only to your firms and will become your work product. Any information reviewed by us will not be disclosed to any person unless any of your firms or a court of lawful jurisdiction directs otherwise. Any request by any person or authority to examine, inspect, or copy such materials or any attempt to subpoena or summons such materials shall be reported directly to you, Raymond Banoun, Lawrence Wechsler, E. Lawrence Barcella, Jr., or Whitney Adams. All information, analyses, reports, notes, correspondence, recordings, or reports, either oral or written work papers, or other material developed during this engagement will only be used for this matter and in no other use.

Any communication between Price Waterhouse and any of its members or employees and BCCI, their agents or other persons acting on their behalf and any communication with your firms, shall be regarded as confidential and made solely for the purpose of assisting your firms in giving legal advice to the clients. Disclosure of the nature or content of any such oral or written communication shall not be made without your firm's permission or at the direction of a court of lawful jurisdiction. Any request for such disclosure shall be reported directly to Messrs. Altman, Wechsler, Barcella, Banoun or Ms. Adams.

Above we have attempted to give an indication of the cost range of the work we hope to undertake. As you will appreciate this is only an estimate based on our information to date. We will inform you at the earliest opportunity if it appears likely that our costs will exceed these estimates. Of course, if our costs are less than the estimates we would bill the lesser amount.

Our charges to you will be based upon hours worked multiplied by our hourly billing rates for this type of work, plus

## DRAFT

February 1, 1989  
Robert A. Altman, Esq.  
Clifford & Warnke  
Page 6

out-of-pocket expenses. We will be submitting to you monthly progress bills as our work progresses. Our standard hourly billing rates for professional staff are as follows:

Partners	\$275 - 325
Senior Managers	200 - 250
Managers	155 - 200

The engagement team will be directed by Mr. Martin F. Baumann and Mr. Robert R. Bench, as partners-in-charge. They will enlist the support of other partners and managers, as necessary, to provide you with the necessary level of support. Brief biographical details for Messrs. Baumann and Bench are attached.

Please contact Mr. Baumann or Mr. Bench if you have any questions pertaining to this letter.

Yours very truly,

cc: (with attachments)

Raymond Banoun, Esq.  
Arent, Fox, Kintner, Plotkin & Kahn

Lawrence H. Wechsler, Esq.  
Janis, Schuelke & Wechsler

E. Lawrence Barcella, Jr., Esq.  
Laxalt, Washington, Perito & Dubuc

Whitney Adams, Esq.  
Laxalt, Washington, Perito & Dubuc

53 East 53rd Street  
New York NY 10022

Telephone 212 371 2000  
Telex 666866  
Telecopier 212 355 0688  
212 688 5460

*Price Waterhouse*



March 8, 1989

*BCCI Task Force*

Robert A. Altman, Esq.  
Clifford & Warnke  
815 Connecticut Avenue, NW  
Washington, D.C. 20006

Lawrence H. Wechsler, Esq.  
Janis, Schuelke & Wechsler  
1728 Massachusetts Avenue, NW  
Washington, DC 20036

Raymond Banoun, Esq.  
Arent, Fox, Kintner, Plotkin & Kahn  
1050 Connecticut Avenue, NW  
Washington, DC 20036

E. Lawrence Barcella, Jr., Esq.  
Laxalt, Washington, Perito & Dubuc  
1120 Connecticut Avenue, NW  
Washington, DC 20036

Dear Sirs:

Based upon the recent meetings in London, this letter confirms the engagement of Price Waterhouse to be of assistance to you and your clients, the Bank of Credit and Commerce International (Overseas) Ltd. and the Bank of Credit and Commerce, S.A. ("BCCI"). We believe that the results of our work will be of benefit not only to the defense of the current indictment but also helping to regularize BCCI's internal control systems and regulatory compliance.

The principal areas of assistance are outlined below:

#### PRINCIPAL AREAS OF ASSISTANCE

1. Analyze the transactions cited in the indictment. This review would enable us to understand fully the nature of the transactions and any related breaches in internal control procedures. We would use the materials already collected by yourselves for this analysis.



March 8, 1989  
Robert A. Altman, Esq.  
Clifford & Warnke

Lawrence H. Wechsler, Esq.  
Janis, Schuelke & Wechsler

Raymond Banoun, Esq.  
Arent, Fox, Kintner, Plotkin & Kahn

E. Lawrence Barcella, Jr., Esq.  
Laxalt, Washington, Perito & Dubuc  
Page 2

2. Regarding the United States, France  
Luxembourg, Bahamas, Panama and Colombia, we  
will jointly obtain details of the following  
types of account:

- (i) accounts opened between January 1 and December 31, 1988 by (or controlled or referred by) any of the defendants and which had a balance of over \$100,000 at any time during the above mentioned period.
- (ii) accounts from which over \$100,000 was withdrawn at any one time between October 10 and December 31, 1988.
- (iii) accounts in which a cash on cash loan of over \$100,000 secured by another deposit at the same branch or at another BCCI branch was outstanding as of October 1, 1988.
- (iv) accounts in which sums of over \$100,000 were blocked as security for a guarantee issued to another BCCI branch as of October 1, 1988.

Having obtained a listing of the accounts we will jointly select a sample of accounts for review to determine the nature of the account and the transactions therein and the sufficiency and completeness of the account documentation.



March 8, 1989  
Robert A. Altman, Esq.  
Clifford & Warnke

Lawrence H. Wechsler, Esq.  
Janis, Schuelke & Wechsler

Raymond Banoun, Esq.  
Arent, Fox, Kintner, Plotkin & Kahn

E. Lawrence Barcella, Jr., Esq.  
Laxalt, Washington, Perito & Dubuc  
Page 3

3. Assist outside counsel by providing services in connection with the Compliance Task Force being established by BCCI. The Task Force shall draft and place into effect procedures for compliance (and the policing thereof) with the laws and regulations applicable to the laundering of monies from illegal acts such as suspected drug transactions.
4. Consult with BCCI and their outside counsel regarding regulatory issues.

Other working relationships will include the following:

1. Mr. Banoun will obtain, for Price Waterhouse - London, explanations regarding the five accounts referred to Mr. Saleem Saddiqui of the Central Audit Division, as well as any other internal inquiry conducted by his group.
2. Mr. Banoun will seek and provide to Price Waterhouse, information regarding any internal account review already conducted at BCCI locations in the Cayman Islands, Spain, Hong Kong, Macao and the Netherlands.
3. Mr. Banoun will regularly brief Chris Cowan (Price Waterhouse - London) regarding the results of his inquiries in Europe.
4. The United Kingdom file review will proceed on course and briefings will continue to be given by Messrs. John Fordham of Stephenson Harwood and P.M. Raphael of Peters & Peters to Mr. Cowan (Price Waterhouse - London).



March 8, 1989  
Robert A. Altman, Esq.  
Clifford & Warnke

Lawrence H. Wechsler, Esq.  
Janis, Schuelke & Wechsler

Raymond Banoun, Esq.  
Arent, Fox, Kintner, Plotkin & Kahn

E. Lawrence Barcella, Jr., Esq.  
Laxalt, Washington, Perito & Dubuc  
Page 4

In addition to the above tasks, we will assist BCCI and attorneys designated by Mr. Altman with the longer term tasks which are described below:

1. A review of the accounts referred to in 2 above for the period January 1 to December 31, 1987.
2. Develop criteria for a review of accounts at BCCI locations (other than the ones referred to in 2 above) for the purpose of determining whether such accounts involved drug-related funds.
3. Given the expected enactment of new money laundering legislation in Cayman and Hong Kong, a file review will be conducted in order to ensure compliance with the legislation's disclosure requirements.

#### ENGAGEMENT ARRANGEMENTS

Our work will be performed under the direction of Mr. Altman and attorneys designated by him and the reports, data, worksheets or other documents we prepare in connection with this engagement will be submitted only to the above legal counsel.

Any memoranda, data, worksheets or other documents we prepare in connection with this engagement will be submitted only to your firms and will become your work product. Any information reviewed by us will not be disclosed to any person unless any of your firms or a court of lawful jurisdiction directs otherwise. Any request by any person or authority to examine, inspect, or copy such materials or any attempt to



March 8, 1989  
 Robert A. Altman, Esq.  
 Clifford & Warnke

Lawrence H. Wechsler, Esq.  
 Janis, Schuelke & Wechsler

Raymond Banoun, Esq.  
 Arent, Fox, Kintner, Plotkin & Kahn

E. Lawrence Barcella, Jr., Esq.  
 Laxalt, Washington, Perito & Dubuc  
 Page 5

subpoena or summons such materials shall be reported directly to yourselves. All information, analyses, reports, notes, correspondence, recordings, or reports, either oral or written work papers, or other material developed during this engagement will only be used for this matter and in no other use.

Any communication between Price Waterhouse and any of its members or employees and BCCI, their agents or other persons acting on their behalf and any communication with your firms, shall be regarded as confidential and made solely for the purpose of assisting your firms in giving legal advice to the clients. Disclosure of the nature or content of any such oral or written communication shall not be made without your firm's permission or at the direction of a court of lawful jurisdiction. Any request for such disclosure shall be reported directly to Messrs. Altman, Wechsler, Baroella, or Banoun.

Our charges to you will be based upon hours worked multiplied by our hourly billing rates for this type of work, plus out-of-pocket expenses. We will be submitting to you monthly progress bills as our work progresses. The charges will be submitted to Messrs. Clifford & Warnke for review and payment. Messrs. Clifford & Warnke may request explanations in support of such payments. It is understood that BCCI is solely responsible for such payments and that Clifford & Warnke in no way assumes such responsibility. Our standard hourly billing rates for professional staff are as follows:

Partners	\$275 - 325
Senior Managers	200 - 250
Managers	155 - 200



March 8, 1989

Robert A. Altman, Esq.  
Clifford & Warnke

Lawrence Wechsler, Esq.  
Janis, Schuelke & Wechsler

Raymond Banoun, Esq.  
Arent, Fox, Kintner, Plotkin & Kahn  
E. Lawrence Barcella, Jr., Esq.  
Laxalt, Washington, Perito & Dubuc  
Page 6

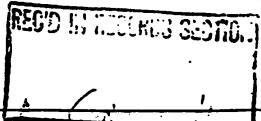
The engagement team will be directed by Mr. Martin F. Baumann. He will enlist the support of Mr. Robert R. Bench and other partners and managers, as necessary, to provide you with the necessary level of support.

It is understood and agreed that this arrangement may be terminated by either party on 30 day's notice.

Please contact Mr. Baumann if you have any questions pertaining to this letter.

Yours very truly,

*Pricewaterhouse*



DIVISION OF BANKING  
SUPERVISORY ACTIVITIES

10 MAR 13 PM 3:30

Comptroller of the Currency  
Administrator of National Banks

Washington, D.C. 20219

March 12, 1981

Board of Governors of the  
Federal Reserve System  
Washington, D.C. 20551

Dear Board Members:

This is in response to a letter of November 28, 1980, from the Federal Reserve Bank of Richmond requesting the views and recommendation of this Office on the application of Credit and Commerce American Holdings, N.V., Netherlands Antilles, and Credit and Commerce American Investment, B.V., Netherlands, for prior approval to become bank holding companies. Holding company status would be achieved through the acquisition of up to 100 percent of the regular common stock of Financial General Bankshares, Inc., Washington, D.C., a registered bank holding company incorporated in the Commonwealth of Virginia.

Our analysis of this matter has focused principally upon information contained in the application, the confidential supplement to the application and facts gathered as a result of our direct supervisory authority over seven of Financial General's subsidiary banks. In addition, on December 11, 1980, a meeting was held, at their request, with counsel representing the proposed investors group. That meeting provided useful clarification of the group's post-acquisition plans regarding Financial General.

The current application is an update and resubmission of a similar application filed with the Federal Reserve Bank of Richmond in October, 1978. In a letter dated December 26, 1978, in response to a request for comment, this Office advised the Board that additional information considered pertinent to the application was required before an informed recommendation could be made. Since the current proposed transaction involves the same principal investors, our prior concerns continue to be relevant. The status of the five major items listed in our December, 1978 letter, (a copy of which is attached) is discussed below in light of the information submitted with the Federal Reserve Bank of Richmond's November 28, 1980, request and other information available to this Office as a result of its supervisory responsibilities:

- (1) Detailed biographical and business experience background information on the proposed new senior management of Financial General was not submitted in either application. At the December 11, 1980 meeting, counsel for the investors group acknowledged the importance of strong management. They indicated that, prior to final Board action on this application, the candidate selected to become the chief executive officer of Financial General by the representatives of the investors group would be submitted to the Board for consideration. They also

R 81766

BY FILES  
Sharon Shonck

52 - 727 (27)

- 2 -

indicated that the investors group would be prepared to submit to the Board a comprehensive operating plan for Financial General and would be willing to discuss with the agencies those plans in relation to the holding company system's future operations. Satisfactory accomplishment of these commitments will minimize uncertainty and concern regarding the future direction of Financial General under the proposed new ownership.

- (2) The October, 1978, application did not provide complete information on the sources of the funds needed for the acquisition. Additional detail was included in the current application, especially with respect to the actual amount of personal funds that will be contributed toward the acquisition by each investor. We have been informed by counsel that none of the investors are borrowing to finance their respective equity contributions. Although a definite loan commitment has not yet been obtained for funding the residual balance of the total acquisition cost, we were informed by counsel that negotiations were proceeding toward obtaining the necessary financing. Before taking final action on this application, the Board may wish to obtain all pertinent facts regarding the funding arrangements for the loan. Particular attention should be given to terms, backgrounds of the lender and broker, if such services are utilized, and any relationship the lender or broker may have with members of the investing group. The overall financial strength of the investors and the potential earning capacity of the Financial General organization do not suggest that there will be significant problems with the arrangement of a viable financing package.

In this connection, we note that in the October, 1978, application a relationship between the investors group and the Bank of Credit and Commerce International (BCCI) was outlined. Members of the proposed investors group for Credit and Commerce American Holdings, N.V., and Credit and Commerce American Investment, B.V., also hold an interest in BCCI. It has now been represented to us that BCCI will have no involvement with the management and other affairs of Financial General nor will BCCI be involved in the financing arrangements, if any are required, regarding this proposal. This commitment is critical, both now and in the future, since such a relationship with another financial institution would be a significant factor in appraising this application. This is especially important in light of the overlapping ownership which will exist between Credit and Commerce American Holdings, N.V., Credit and Commerce American Investment, B.V., and BCCI. Moreover, any enhanced direct or indirect affiliation or relationship between BCCI and Financial General would take on even greater significance in light of the fact that BCCI is not subject to regulation and supervision on a consolidated basis by a single bank supervisory authority.

- (3) Our December, 1978, letter expressed concern regarding the possible need for an additional injection of equity capital into several of the banks within the Financial General system. Responding to that concern, applicants have provided for an equity capital increase of \$12 million at the consummation of the acquisition and have indicated

- 3 -

their commitment to inject additional capital funds as needed. This injection, and adherence to the capital plan submitted by applicants, should be sufficient to preserve adequate equity capital positions in the nationally-chartered subsidiary banks.

- (4) The original application provided no financial information regarding the investors. Since the applicants are new entities formed solely to facilitate this acquisition, the financial ability of the members of the investing group was and remains extremely important. While detailed balance sheets and income statements, most of which were certified by public accountants, were provided in the confidential portion of the current application on all the private citizen and corporate investors, conventional financial data has not been made available on certain of the investors. Applicants assert that the data is unavailable due to local custom and practice. In response to the agencies' concerns, however, the applicants have provided estimates of these investors' personal net worths, which appear adequate.

Our additional request concerning information regarding the identities of proposed minority investors was adequately answered by the submission of detailed biographical information on each proposed investor associated with the group.

- (5) Analysis of the October, 1978, application did not indicate whether the investors would receive remuneration in forms other than common stock ownership, such as management fees or commissions. It has since been represented that the investors will receive nothing other than common stock in return for their equity contributions to the applicants.

Accordingly, assuming that the investors group's proposed new chief executive officer and operating plans for Financial General are satisfactory to the Board and that the Board is satisfied that the financial strength of those investors whose financial disclosures are less than conventional is satisfactory, the concerns we expressed in our December, 1978, letter have been addressed.

Very truly yours,



C. F. Muckenfuss, III  
Senior Deputy Comptroller for Policy

U2768

*Correspondence*

*Price Waterhouse*



*David Hink*

February 17, 1988

M. M. Ahmad  
Bank of Credit & Commerce International  
 1667 K Street, N.W.  
 Washington, D.C. 20006

Dear Mr. Ahmad:

I enjoyed meeting you yesterday. Thank you for the very pleasant conversation and lunch.

The reference material we discussed is enclosed. It should well suit Mr. Faruqui's request for information about establishing a compliance function. The material comes from the Compliance Sourcebook produced by the American Bankers Association. Most of that Sourcebook deals with technicalities of U. S. consumer laws. The enclosed portion deals directly with the organizational interests of Mr. Faruqui.

Again, it was a pleasure to be with you, and I look forward to future opportunities to visit. Please don't hesitate to call me if I can be of further assistance.

Best regards,

Sincerely,

*Robert R. Bench*

RRB:psb7

PWUSS 00005700



**BANK OF CREDIT AND COMMERCE INTERNATIONAL**  
**SOCIETE ANONYME**  
**REPRESENTATIVE OFFICE**  
**1807 K STREET, N.W. WASHINGTON, D.C. 20006**

February 1988

Mr. Robert R. Bench  
 Price Waterhouse  
 Office of Government Services  
 1801 K Street, N.W.  
 Washington, D.C. 20006

Dear Mr. Bench,

It was indeed a great pleasure to meet with you and benefit from your vast knowledge and experience.

I am passing on the useful reference material which you have so kindly sent me to Mr. Faruqui in London. I am sure he will be most grateful and appreciative.

With renewed thanks I look forward to meeting you again and remain in touch.

Best regards.

Yours sincerely,

  
 M. M. Ahmad

MMA:ahk

PW OSS ■■■005701

33 13:30 FROM OFFICE WATERHOUSE 333

PAGE. 30

Fort George Hc  
Marine Corp  
Bridge City, Tex  
April 5, 1989  
J.

B.A. Palkins

Bob Beach

Internal Control Manual ("ICM")

This is in response to your request to Marty Baumman  
that we briefly review your stand alone of the ICM.

My views follow. Others at PW are likely to provide you  
deeper, balanced input. My views are based on my  
superiority experience. My views do not consider the  
item linkages to the other documents you mention on page  
152. All the documents appear independent. Therefore,  
since I have not had access to the other materials I  
can't opine on the thoroughness of all your efforts.

As regards the ICM, it is clear that your staff has  
covered a great deal of information in a short amount  
of time. The brain work involved and the effort you put into it  
demonstrates your commitment.

PWUSS 0005702

5 '93 13:29 .. FROM PRICE WATERHOUSE COGS

PAGE.3C

2

However, the ICM is not as comprehensive as published Internal Control Questionnaire by the U.S. banking Agencies. Since the questionnaires are public, you should consider incorporating them in whole or part into your ICM. I am sending you to the FPIEC ECP manual and the OCC Compliance manual, where you wish to know questionnaires from them.

Now, in terms of the ICM, please consider the following:

1. Page 7 - As we discussed, the tone here is that the ICM is being written to satisfy perceived expectations by U.S. market and regulators. The organization believe the controls in necessary for the bank's own internal needs. I strongly believe non-U.S. regulators will have the same expectation, and soon. Therefore the tone and theme of page 7 should emphasize you are preparing the ICM to: (1) strengthen your prime, positive, and prudent; (2) to be a good guide by adhering to U.S. custom and tradition; and (3) to satisfy U.S. regulatory types.
2. Page 10 - Many banks' internal controls are designed to achieve objectives.
3. Page 11 - In existing banks, it is always expected that operating personnel regularly compare results with committee members.

1. Page 12 - Set in banking committee (no history of bank) that management practices less - benefits
2. Page 13 - the time and terms of the Conclusion needs to be kept consistent with # 1 above.
3. P 16-19 - these pages relate personnel considerations to section existing. there is no mention in the SEM about what penalties the bank will impose on those that do not adhere to the terms or other regulations. the discipline needs to be stronger to give the SEM credibility, given the history of bank operations.
4. P 22 - the second paragraph prior the question about the independence of TCD to do its job.
5. P 25 - Same as # 7 above.
6. P 30 - All pages do not discuss internal controls covering accounts - banknotes and deposits are not heavily mentioned in the manual and not until page 88.
7. P 34 - Budget liability accounts could be added to the 1 here.
- 8.
9. P 37-39 - does not report first and in the same order on each

11. TP 42-48 - Review frequency to include case-by-case for all large items or for a significant change in volume. Delinquent accounts need to be segregated and put under dual control. A similar policy is needed for "Hold" accounts.
12. Page 51 - No stage criteria is needed.
13. Page 52 - No stage and volume criteria is needed.
14. Page 54 - The USDO managers should copy the internal control questionnaires of the handling agencies.
15. Page 55 - Policies at each agency should be uniform. Only policies should be kept to a minimum.
16. Page 56 - It is U.S. practice to require employees to take two consecutive weeks vacation. Current financial is not a normal US banking practice.
17. Page 57 - This is the first mention in the RIM of the accounts. They should be mentioned earlier.
18. TP 56-107 - These questionnaires are adequate. The OC questionnaires are used by all agencies, state and fed consider using them or integrating them into the RIM.

25. PP 66-74 - Ques'ns PX ICA's on letter structured. Consider using them.

26. PP 88-94 - Only six pages of this ICM are dedicated to deposits. The balance seems wrong. There is no policy discussion about 'hold' accounts. There is no policy document for bank holding transactions.

27. Page 97 - How do you answer # 15 without freezing loan proceeds? Is this worded in another manner? What is the policy on overdrafts?

28. Page 98-99 - Questions 26, 28, 31, and 32 are the same. There is no mention of valuing collateral periodically.

29. The criteria for delinquency in the US is interest non-payment for 15 days and principal non-payment of 30 days. (Page 103)

30. PP 110-123 - Go one root deep in the EDP area. What does appear adequate. However, consider using the applicable ICA's in the FFIEC manual sent to you.

31. PP 124-140 - This section 9. appears adequate. However, the follow-up procedure seems to be a problem. As far as the last system indicates a lack of computer system since the last system easily could be put on a PC to be a central system.

6

~~1~~ Consider using Exhibit 6 of your Compliance Manual in the ICM. Also consider portions of the OCC Compliance Manual that I sent you for your ICM.

~~2~~ When I return to Washington, I'll prepare a final response.

To: B. A. Palkhivala  
 From: R. R. Bench  
 Date: 4/5/89  
 Subj: Internal Control Manual ("ICM")

This is in response to your request to Marty Baumann that we hastily review your second draft of the ICM.

My views follow. Others at PW are likely to provide you deeper technical input. My views are based on my supervisory experiences. My views do not consider the ICM linkages to the other manuals you mention on page 152. All the manuals appear interdependent. Therefore, since I have not had access to the other manuals, I can't opine on the thoroughness of all your efforts.

As regards the ICM, it is clear that your staff has covered a great deal of information in a short amount of time. The basic material, and the effort you put into it, demonstrates your commitment.

However, the ICM is not as comprehensive as published Internal Control Questionnaires of the U.S. Banking agencies. Since the questionnaires are public, you should consider incorporating them in whole or part into your ICM. I am sending you today the FFIEC EDP manual and the OCC compliance manual, should you wish to borrow questionnaires from them.

Now in terms of the ICM, please consider the following:

- 1) Page 7 -- As we discussed, the tone here is that the ICM is being written to satisfy perceived peculiarities of U.S. markets and regulators. The regulators believe the manual is necessary for the bank's own internal needs. I strongly believe non-U.S. regulators will have the same expectations, and soon. Accordingly, the tone and theme of page 7 should emphasize you are producing the ICM to: 1) strengthen your policies, practices, and procedures; 2) to be a good guest by adhering to U.S. custom and convention; and, 3) to satisfy U.S. regulatory expectations.
- 2) Page 10 -- Many banks' internal controls are expected to achieve perfection.
- 3) Page 11 -- In many banks, it is always expected that operating personnel regularly compare assets with amounts recorded.

PW USS 005708

## Page 2

- 4) Page 12 -- It is banking convention (vs. history of law) that management evaluates cost-benefits.
- 5) Page 13 -- The tone and theme of the conclusion needs to be revised consistent with #1 above.
- 6) PP 16-19 -- These pages relate personnel considerations to internal controls. There is no mention in the ICM about what sanctions the bank will impose on those that do not adhere to the ICM or other manuals. This discipline needs to be imposed to give the ICM credibility, given the history of bank operations.
- 7) Page 22 -- The second paragraph raises the question about the independence of ICD to do its job.
- 8) Page 25 -- Same as #7 above.
- 9) Page 30 -- All pages so far discuss internal controls covering assets. Liabilities and deposits are not heavily mentioned in the manual and not until page 88.
- 10) Page 34 -- Perhaps liability accounts could be added to the list here.
- 11) PP 37-39 -- List Fed reports first and in the same order on each page.
- 12) PP 42-48 -- Revise frequency to include case-by-case for sudden large items or for a significant change in volume. Dormant accounts need to be segregated and put under-dual control. A similar policy is needed for "Hold" accounts.
- 13) Page 51 -- A size criteria is needed.
- 14) Page 52 -- A size and volume criteria is needed.
- 15) Page 54 -- The USRO manuals should copy the Internal Control Questionnaire of the banking agencies.
- 16) Page 55 -- Practices at each agency should be uniform. Any variances should be kept to a minimum.
- 17) Page 56 -- It is U.S. practice to require employees to take two consecutive weeks vacation. Overdraft financing is not a normal U.S. banking practice.
- 18) Page 57 -- This is the first mention in the ICM of "hold" accounts. They should be mentioned earlier.

PWUSS 0005709

Page 3

- 19) PP 56-107 -- These questionnaires are adequate. The OCC questionnaires are used by all agencies, state and federal. Consider using them or integrating them into the ICM over time.
- 20) PP 66-74 -- OCC's FX ICQs are better structured. Consider using them.
- 21) PP 88-94 -- Only six pages of this ICM are dedicated to deposits. The balance seems wrong. There is no policy discussion about "hold" accounts. There is no policy discussion for back-valuing transactions.
- 22) Page 97 -- How do you answer #15 without tracing loan proceeds? Is this covered in another manual? Where is the policy on overdrafts?
- 23) PP 98-99 -- Questions 26, 28, 31, and 32 are the same. There is no mention of valuing collateral periodically.
- 24) The criteria for delinquency in the U.S. is interest non-payment for 15 days and principal non-payment for 30 days (page 103).
- 25) PP 110-121 -- I am not deep in the EDP area. What is here appears adequate. However, consider using the applicable ICQs in the FFIEC manual sent to you today.
- 26) PP 124-140 -- This section 9 appears adequate. However, the follow-up procedure seems to be a posted card system. The card system indicates a lack of computer systems, since the card systems easily could be put on a PC tied to a central system.
- 27) Consider using exhibit 6 of your Compliance Manual in the ICM. Also consider portions of the OCC Compliance Manual that I sent you for your ICM.

PW USS. 00005710

**BANK OF CREDIT AND COMMERCE INTERNATIONAL S.A.**  
 UNITED STATES REGIONAL OFFICE 320 PARK AVENUE NEW YORK NY 10022

April 7, 1989

Mr. Robert R. Bench  
 Partner  
 Price Waterhouse  
 1801 K Street NW  
 Suite 700  
 Washington, DC 20006

Dear Bob:

I thank you for your FAX of April 5th from Belize containing your hand-written comments on the Internal Control Manual ("ICM").

With the California MOU deadline of April 14th and with the final review still awaited from C.S.O. in London, the submission schedule has now become very tight indeed.

The next item will be our Operations Manual which will require a rapid review. As per the arrangements made during our meeting in your office on Monday, March 13th, our Manuals would be reviewed by you within five or six working days and we will be coordinating this with your New York office so that the timings can be met.

The final ICM incorporating your comments will be sent to you and we would appreciate a letter from you denoting your review and approval.

Fortunately, after next week with the California MOU requirements completed by April 14th, we will have less time pressure on future productions.

With best wishes

Yours sincerely,

B.A. Patelkhwala

CC: Mr. Marty Baumann, Price Waterhouse, New York

FW USS 000005711

PHONE: (212) 715-2800 TELE: 438-8022 BCC: NY EO FAX: (212) 715-2800 CABLE: BANCROFT  
A Division of BANCROFT International Ltd.

Office of Government Services  
1801 K Street, N.W.  
Washington, DC 20006

Telephone 202 236 02

*Price Waterhouse*



*Marty Baumann*  
*BCCI*  
*Acting Partner*

April 11, 1989

Mr. B. A. Palkhiwala  
 U.S. Regional Executive  
 Bank of Credit and Commerce International, S.A.  
 320 Park Avenue  
 New York, New York 10022

Dear Mr. Palkhiwala:

Thank you for your fax dated April 11.

The typed version of my response to the second draft ICM is enclosed.

We look forward to receiving any other manuals you wish us to review. Please transmit them through Marty Baumann who is the lead partner on this engagement.

Best regards.

Sincerely,

Robert R. Bench  
 Marty H. Baumann

PWUSS 005712

Washington Bureau of Engraving and Printing  
1971 G Street, N.W.  
Washington, D.C. 20510

*Herr Hiltzinger*

  
*L. Lyde - 46*

August 8, 1989

Mr. S.A. Palkhivala  
U.S. Regional Executive  
Bank Credit & Commerce International, S.A.  
320 Park Avenue  
New York, NY 10022

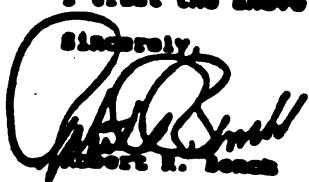
Dear Mr. Palkhivala:

You have requested through Andy Nolan, my views about item #8 in the order of the Federal Reserve to establish an allowance for loan losses losses- ("ALLL").

The Fed would accept a capital infusion to establish the ALLL. This can be accomplished through the "Due from/Due to Head Office" accounts. You could debit "Due from Head Office" and credit "ALLL", then you could credit "Due from Head Office" and debit "Cash."

I trust the above is responsive to your needs.

Sincerely,



RHD/jlt

PW U.S.S. 60005713

#20122 ?

A GUIDE FOR FOREIGN BANKS IN THE UNITED STATES

*September, 1983*

**PRE-PUBLICATION DRAFT:**

**NOT FOR PUBLIC DISTRIBUTION**

**OCTOBER 6, 1983**

FOREWORD

This guide has been prepared for foreign banks interested in conducting banking operations in the United States. The purpose of this guide is to set forth (i) a general description of the alternatives available to foreign banks to engage in banking in the United States, including a description of the forms of organization, their powers and legal and regulatory structures, (ii) the implications of the available alternatives with respect to initial entry into the United States to engage in banking and the subsequent expansion of such activities, and (iii) certain significant reporting, administrative and tax issues. It does not cover these subjects extensively, but attempts to answer some of the more basic, broader questions and address matters of general interest.

Banking is extensively regulated in the United States and differs significantly from banking in foreign countries. Accordingly, when a foreign bank is considering initial entry into, or expansion of, banking operations in the United States, or when specific problems occur in practice, it is necessary to refer to United States laws and regulations and to consult with legal counsel and/or independent accountants.

This guide was prepared under the supervision of Philip P. Mannino, John O. Hatab and Howard G. Johnson, New York foreign banking industry partners, with the assistance of

managers in the Foreign Bank Specialty Group. Additional information regarding our services to foreign banks may be obtained from Price Waterhouse, 153 East 53rd Street, New York, New York 10022, telephone (212) 371-2000.

Philip P. Mannino  
Lead Specialist Partner  
Foreign Banks - Accounting and  
Auditing

John O. Hatab  
Lead Specialist Partner  
Foreign Banks - Taxation

Howard G. Johnson  
Lead Specialist Partner  
Foreign Banks - Management  
Advisory Services

capable of providing significant assistance in the day-to-day management of a foreign bank. These low cost machines generally make provisions both for electronic spread sheet programs and for word processing. Electronic spread sheets can be powerful management tools, permitting easy flexing of assumptions to determine potential results. A microcomputer with word processing software allows the users to store, modify and print large volumes of data and generally requires little operator training.

c. Service bureaus - Traditionally, many foreign banks have utilized the data processing services of one of the larger local United States banks with which they maintain business ties. This service is particularly used for international transfers through CHIPS and SWIFT. In addition, service bureaus have developed a variety of programs to handle banking needs. Such service bureaus are equipped with the backup computers and personnel required to ensure reliable services. Most service bureaus also offer telecommunication links to terminals located in the bank's offices for inquiry, entry of data and other uses. Such communication links can also be provided to the foreign home office for inquiry purposes.

#### IV. OFFSHORE BANKING CONSIDERATIONS

In addition to establishing operations in the United States, many foreign banks also consider establishing companion

operations in offshore countries. The Cayman Islands and the Bahamas have become popular because of their relatively lax licensing requirements, and general absence of reserve requirements, income taxes, and lending limitations.

Many of the social, political and environmental matters which should be considered by foreign banks interested in establishing offshore operations in these countries are discussed in the Price Waterhouse "Guides to Doing Business" in the Cayman Islands and the Bahamas.

#### VII. PRICE WATERHOUSE SERVICES

##### A. Application and planning process

Normally, the application for a license is handled with the assistance of United States legal counsel. Where there is no pre-existing relationship with United States legal counsel or with a United States bank, Price Waterhouse can help by extending introductions to reputable lawyers and local banks. Additionally, Price Waterhouse will assist the bank in preparing, or will review, the bank's financial statement projections required for inclusion in the applications.

Once the application is granted (or sometimes before the date of grant, if careful planning is required), our tax experts will prepare a memorandum on the tax consequences of doing business in the United States. Such a memorandum will be geared to the specific requirements of the foreign bank. It will cover Federal, state and local taxes, where applicable.

together with the possibilities of obtaining tax credits in the country of origin. Particular consideration will be given to the possibility of coordinating United States banking activities with any offshore operations.

Assistance is often required in establishing levels of personnel remuneration compatible with both United States living standards and home office policies. Advice is often requested for selecting the proper support staff to be engaged in the United States. Price Waterhouse's considerable experience in these areas enables us to give valuable advice.

B. Accounting, auditing, tax and management advisory services

As previously noted, the regulatory bodies in the United States carry out annual examinations of foreign banks operating in their jurisdiction. As also previously noted, there are no statutory audit requirements for subsidiaries (without securities issued to the United States public), branches or agencies of foreign banks in the United States. However, most foreign banks retain independent accountants to perform all or some of the following services:

- a. Assist in dealings with the Federal or state banking regulators and other regulatory authorities.
- b. Assist in both corporate and personal tax planning (with the objective of achieving the lowest tax cost after considering home country and United States tax laws), prepare the various Federal, state and local tax returns and participate in meetings with the tax agents.

- c. Advise on systems design, computer processing alternatives and evaluations, and the implementation of accounting and control systems.
- d. As a foreign bank grows, it may decide to engage permanent internal audit staff to perform the majority of routine internal check and control functions. However, in its early stages of growth, the foreign bank frequently retains its independent accountants to perform the attest function normally assigned to internal auditors, either through an unrestricted financial statements examination or by preparing tailor-made programs to meet specific needs. These services are often designed to prepare for regulatory examinations or to help ensure that matters arising from such examinations have been properly attended to and resolved.

Experience has shown that these functions can be performed more efficiently by specialized personnel resident in the United States with knowledge of a foreign bank's organization and requirements. Price Waterhouse has a team of personnel experienced in these areas and can provide needed services quickly and efficiently.

We believe that our general experience and proximity to the foreign banking world in the United States, together with our extensive local banking expertise in our firms abroad, put us in a unique position to advise foreign banks operating in the United States. We take great pride in our business-oriented practice. Many bankers have benefited from our practical experience and specialized knowledge.

Price Waterhouse partners and staff are trained to be of service to their clients and are highly responsive to their

needs. Addresses of the Price Waterhouse offices in the United States are listed on the inside front cover of this guide, and the countries in which other Price Waterhouse firms operate around the world are provided on the inside back cover of this guide. Partners in any of these offices or firms will be eager to be of assistance or to provide more specific information on the subjects covered in this guide.

Mr. Bench, let me just again, for the record, run through a few things, you know Mr. William Rybeck, correct?

Mr. BENCH. Yes.

Senator KERRY. And you know him as head of the bank supervision at the Fed, is that correct?

Mr. BENCH. Yes.

Senator KERRY. During the summer of 1978, when you were on sabbatical, is that when Mr. Ryback joined OCC?

Mr. BENCH. I don't think so.

Senator KERRY. Do you know when he did?

Mr. BENCH. I would suspect it was the first quarter of 1979.

Senator KERRY. Do you know in what capacity he joined initially?

Mr. BENCH. Well, when I was away, the agency reorganized some examination functions and my old shop was merged into something called the multinational division. I believe that happened in April 1979. Billy Wood was appointed deputy controller and then Billy appointed three directors, one of which was Bill Ryback. So, I assumed Bill came to Washington sometime early 1979 to take the—

Senator KERRY. Do you know if he saw the Vaez memo?

Mr. BENCH. I don't know.

Senator KERRY. Do you know if Ms. Carol Beaumier saw the Vaez memo?

Mr. BENCH. I don't know.

Senator KERRY. Do you know if she would have had access to the memo?

Mr. BENCH. They had taken over operating responsibility for that unit and that would have included the files.

Senator KERRY. Now during the takeover attempt in 1978 of Financial General Bankshares, OCC was asked to give its opinion formally and informally, correct?

Mr. BENCH. I don't remember working on that, but I think I was away.

Senator KERRY. You were not there at that time?

Mr. BENCH. Right. I recall a—maybe not—because of other things, the OCC issued a letter by Chuck Muckenfuss in 1978 expressing some opinion.

Senator KERRY. Were you familiar with the process that led up to the issuance of that letter?

Mr. BENCH. I don't believe so. I think I was not there.

Senator KERRY. Wasn't that in 1981?

Mr. BENCH. What, the—

Senator KERRY. The letter? The Muckenfuss letter?

Mr. BENCH. There were two. I think there was a 1978 and during the 1978 process I wasn't around.

Senator KERRY. Well, the date of the letter in which they communicated with respect to the takeover was 1981?

The question I am asking you is simply, did you have any input to that particular letter in process? In 1981 you were back there, correct?

Mr. BENCH. I am sorry, Senator, I thought you said 1978 and there was an action in 1978 and that is how I got confused. There

was an action in 1981. Chuck wrote a letter to the board of governors of the Federal Reserve—

Senator KERRY. Did you have communications with him at that time about BCCI?

Mr. BENCH. I don't recall that. I don't recall having much to do with that process overall. My recollection of the 1981 period is I did participate in a meeting at OCC where Mr. Clifford came in and basically advised the senior staff of the proposal and then I was asked to go and attend the Fed hearing which I did, but my reaction as to whether I was heavily engaged in the draft—

Senator KERRY. One moment please. [Pause.]

I am sorry, go ahead.

Mr. BENCH. I just don't remember being an active participant in the development of the Muckenfuss letter. I may have been, Senator, but I really don't remember that.

Senator KERRY. Did you prepare any memos for Mr. Muckenfuss during that process?

Mr. BENCH. I don't recall doing that, Senator. I may have, but I don't recall.

Senator KERRY. Did you inform him of the gist of the Vaez memo?

Mr. BENCH. I have no memory of that.

Senator KERRY. Did you show him the Vaez memo?

Mr. BENCH. I have no memory of that, Senator.

Senator KERRY. Is there any reason that that memo didn't find its way to Mr. Muckenfuss and to that deliberative process?

Mr. BENCH. No. 1, I don't know if the memo did or did not enter into the deliberative process. My reaction is that that process was so deliberative that there is bound to be a file at the OCC on it, and would reflect it.

I am little confused because there was a deliberative process in 1978 and so your image is, was it used in the 1978 process and then in the later process a follow-on.

Senator KERRY. Well, what strikes me is that the memo that Mr. Vaez wrote very accurately drew a picture of some extraordinary lending practices. It drew a picture of a bank that was grossly leveraged relative to its capital base, that had very strange loan procedures, that had nominees in its own language, as surrogate holders of stock and position, all of which was reflected in the letter that Mr. Muckenfuss wrote in which he said, approved for the FGB takeover was made on the condition that BCCI will have no involvement with the management and other affairs of Financial General, nor would BCCI be involved in the financing arrangements if any are required regarding the proposal.

Mr. Muckenfuss wrote that, "Any enhanced, direct or indirect affiliation or relationship between BCCI and Financial General would take on even greater significance, in light of the fact that BCCI is not subject to regulation and supervision on a consolidated basis by a single bank supervisory authority."

Now was there, in light of that attitude and in light of that clear fear, was there not some inquiry or analysis with respect to the nominee problem in this case?

Mr. BENCH. There might have been, I don't remember, Senator.

Senator KERRY. You are not familiar with it?

Mr. BENCH. I really don't remember being heavily engaged in that process.

Senator KERRY. What were the circumstances that ultimately led you to providing services to BCCI while at Price Waterhouse?

Mr. BENCH. As I just explained to Senator Brown—

Senator KERRY. Did you go through that with Senator Brown?

Mr. BENCH. Yes.

Senator KERRY. I don't need to go over it then. Did you also discuss with Senator Brown the memo itself that was written in Price Waterhouse, the letter?

Mr. BENCH. Not really.

Senator KERRY. There was a letter written in Price Waterhouse to Mr. Altman, to Mr. Wechsler, to Raymond Banoun and Lawrence Barcella.

Mr. BENCH. Yes.

Senator KERRY. This is a 1989 letter, March of 1989, at which time BCCI was in the news and the principal areas of assistance that were outlined by Price Waterhouse in this were to analyze the transactions cited in the indictment enabling you to fully understand the nature of the transaction and any related breaches in internal control procedures regarding the United States, France, Luxembourg, Bahamas, Panama, Columbia. You also offered to obtain information, details on the following types of accounts and then you list a series of accounts.

The letter says, "Having obtained the listings, we will jointly select a sample of accounts for review to determine the nature," and so forth—"assist outside counsel by providing services in connection with compliance task force being put together by BCCI," and then a series of other working relationships were outlined.

You were to work under the direction of Mr. Altman and attorneys designated by him and so forth. And finally, it said, this engagement team will be directed by Mr. Martin Baumann and listing the support of Mr. Robert Bench and other partners and managers as necessary to provide them with the level of support.

I guess my question to you is, part of this offer of assistance, suggested that you were going to help them with respect to the criminal proceedings that were then the subject of an action.

Was there in your mind any question about that, having such knowledge of this bank previously and having had fair warning in a sense a few years prior as to this nominee relationship and so forth?

Mr. BENCH. Well, the answer to your question is that my role in this engagement was to be a technical advisor to a process to help the bank comply in the future, and to rebuild—I want to say that again, to go over their systems of internal controls, accounting manuals, what have you, to be darned sure that the indictment notwithstanding, and that problem having occurred, that it would never occur again.

As I recall it, our goal was to work with the institution to make certain that any operation of BCCI in the U.S. was absolutely up to standard and would meet every expectation.

Senator KERRY. Accepting that as face value, and recognizing that you worked on the compliance piece of this from 1989 to 1990, correct?

Mr. BENCH. Right.

Senator KERRY. Is there any reason that you didn't discover the massive fraud in terms of their ownership of First American at that time?

Mr. BENCH. In terms of this engagement, Senator, we were very, very focused on responding to various documents and enforcement agreements from the banking agencies, and memoranda of understandings from the State banking commissioners. There was a cease and desist order from the Fed. All of those things had time frames on it, and we were driven by them. While we had a plan to help—to work with the bank to strengthen its operations—that plan got very accelerated and focused when these documents were served on the bank by the bank regulators. And so, our work was very focused in the U.S., very focused to be responsive to the articles—

Senator KERRY. When did the regulators serve those documents? 1990?

Mr. BENCH. No, my recollection is, throughout 1989, Senator.

Senator KERRY. If I am correct, the indictment was 1988, late 1988 and the process went on through 1989. The plea was what, 1989?

Mr. BENCH. I don't know about the—

Senator KERRY. I think the plea was in January of 1990—1 year later. It was 1990. So you are saying then that most of the work then was in direct response to the OCC's requirements or the Fed's requirements?

Mr. BENCH. Generally, Federal Reserve and State banking departments. They were placing on BCCI enforcement agreements not dissimilar to what gets placed on U.S. banks, and those enforcement agreements have articles. The articles have days that they have to be complied with. What happens is the banking regulator sets the calendar. Here are the things they want fixed. This is when they want them fixed by, and if you don't meet those deadlines you are subject to further penalties.

So we were driven to do very—

Senator KERRY. Were you at all disturbed personally in a way that motivated you to suggest to the PW personnel involved in this that there was something serious to look at here, and were you concerned about PW's reputation in the sort of auditing/advice process here?

Mr. BENCH. I don't recall that. My reaction to this episode was that the bank, having been indicted for money laundering, was an absolute flashing red light inviting every bank examiner of the U.S. into the agencies to take a look at what else might be wrong, and more than likely, a signal to other regulators around the world to think about taking a closer look at the bank.

So my advice to the attorneys was, while you are worried about the indictment, the criminal activity, you could get absolutely whipped-sawed by a whole range of regulatory activity, as well, unless you address it. That is No. 1.

No. 2, my other, I guess, intensity at that time was, as I recall, was that, as any examiner would recall, is that if you have a violation like that, there is a failure. There has been a failure. Some kind of failure, and therefore—

Senator KERRY. But you had no flashing bells that went off with respect to the Vaez memo?

Mr. BENCH. No, to be honest with you, Senator, no.

Senator KERRY. That memo, it would seem to me, given what you read 10 years earlier would have said, oh, these guys are at it in wholesale fashion and this is not a healthy situation to be associated with.

Mr. BENCH. That is a hard call, Senator. To be honest with you, it was 10 years or something before. No. 2, Joe's work and Joe's report in many ways was not an unusual exercise for us. We had a number of banks in the 1970's that had 25 or 30 percent minority interest in something foreign that maybe they didn't know enough about or we didn't know about. We sent an examiner to find out and lo and behold, the bank ended up paying 100 percent, even though they only owned 30.

What was good news about Joe's report was Joe's report came in and said: hey, yes, they have the investment, yes, they are supervising it; yes, they have identified concerns, and, they are taking action to address them.

So in that context, "case done" basically. It was a Bank of America exercise. It wasn't really a BCCI exercise in 1978 as such.

Senator KERRY. Did you, as PW U.S.A., do any kind of planned analysis or risk analysis with respect to BCCI before becoming the auditors?

Mr. BENCH. Before becoming the auditors of BCCI globally? I don't know that answer, Senator. I am sure we can provide it to you.

Senator KERRY. Do you know whether or not in undertaking this relationship you relied on Price Waterhouse in other locations of the globe for information? Do you have any knowledge of that?

Mr. BENCH. I don't recall that. We were really domestically driven.

Senator KERRY. Did you ever go to London to meet with Mr. Naqvi or Mr. Abedi?

Mr. BENCH. Yes, I did.

Senator KERRY. How many times did you do that?

Mr. BENCH. About twice.

Senator KERRY. Do you recall the substance of those meetings?

Mr. BENCH. The first time I went to London was part of a general trip to London. I had just joined the firm and the partners in the U.K. firm of Price Waterhouse asked that I come over and visit several clients which I did. One of the clients was BCCI. We had lunch. I met Mr. Naqvi and Mr. Abedi at that time.

The second time I met them—let me correct myself. The second time I went to London, which was February 1989 I guess, I think Mr. Abedi wasn't there, I think he had his stroke or he was not there, and the purpose of that trip, the 1989 trip was to basically accompany the legal team.

I think the legal team, as I recall it, the legal team had taken a view: hey, yes, we do have a need to do this regulatory work as well as the defense work. I think BCCI maybe didn't think it was necessary. So, the purpose of the trip was to just explain why we thought that the bank should pay more attention to strengthening its operations and policies.

**Senator KERRY.** What specific work did Price Waterhouse undertake on behalf of BCCI to strengthen its relationship with regulators?

**Mr. BENCH.** Well, that language, I think, is in a draft proposal letter that we sent to BCCI in early 1989 that was never signed. The intention of that language, as I recall, was this business of putting into BCCI the policies and procedures and standards that were absolutely up to snuff in terms of a review by any bank examiner, from any State commissioner or from the Federal Government.

**Senator KERRY.** In order to do that, you would have to understand their procedures completely and their standing, would you not?

**Mr. BENCH.** You would have to do a diagnosis, or as auditors, you would have access to their examination reports.

**Senator KERRY.** Wouldn't that diagnosis wind up disclosing the phony relationship with First American?

**Mr. BENCH.** I don't know that at all, Senator.

**Senator KERRY.** Wasn't that what you were doing? Wasn't that what Price Waterhouse was supposed to be doing, was an analysis in order to help ascertain what the reality was, so that you could present them properly to the regulators?

**Mr. BENCH.** Senator, to the best of my recollection, there was no linkage whatsoever, in any of the work we did or any of the discussions we had, with First American.

**Senator KERRY.** So what you are saying is that your work was completely compartmentalized, that the work you did with respect to the defense in the context of the compliance task force was exclusively on the money laundering portion and not on any other relationships?

**Mr. BENCH.** Well, I wouldn't say compartmentalized. There was an agreement. There was a consensus that the bank should undertake their own work and with the help of consultants; to stop any violations occurring in any of their agencies; and to make certain that however those agencies operated, they would operate to match a standard that was absolutely satisfactory to the bank regulatory agencies.

Then what happened, as I recall, was consensus building to do this. An initial engagement letter was signed to go ahead and do it. Then along came the bank regulators with their memorandums of understanding. Then the Fed issued a cease and desist order at which point, essentially the bank had no choice about further consensus building. They just had to comply and so we got thrown into doing whatever we could do to make certain they complied with those agreements at the time, as well as making certain, going forward, they would always be in compliance.

It was a very operational, back-room kind of rebuilding of the infrastructure.

**Senator KERRY.** In the engagement proposal, the one that you have referred to which used the language which I referred to, Price Waterhouse in promoting itself to the lawyer team said, quote, that you had, "as independent accounts to BCCI, we already have a good understanding of their operations on a worldwide basis." Now what was the basis of making the judgment that you already had

an understanding of their worldwide operations, a good understanding?

Mr. BENCH. I would say that the basis of understanding was that Price Waterhouse, U.K., was the global consolidated auditor or coordinated the global consolidated audit of BCCI around the world.

Senator KERRY. Would you say that that was an accurate statement, that they had a good understanding of their worldwide operations in retrospect?

Mr. BENCH. My recollection at the time is I think they did.

Senator KERRY. Well, if they had a good understanding they would have known what was happening, wouldn't they? Either they didn't understand or they were complications in the process. You can't have it both ways.

Mr. BENCH. I understand what you are saying. I understand where you are going.

Senator KERRY. Is that what you folks relied on here as the basis of your proffer?

Mr. BENCH. The answer is, Senator, I don't remember that language. I am sure it is in the letter. I guess I would have to see the letter and think about the context.

Senator KERRY. In the compliance program that you conducted with respect to their U.S. branches, did you find that the U.S. branches were in good order?

Mr. BENCH. In terms of the U.S. agencies, I don't remember exactly what we found because I wasn't out there doing it, our auditing team was. But my recollection is that there was the need for these manuals and there was a need for the bank to do things in a uniform way across the country and there was a need to strengthen policy-practice-procedure, internal control, et cetera.

Senator KERRY. Did you find anything with respect to the ownership issue?

Mr. BENCH. I don't recall anything coming up on First American. I don't recall, in my work, certainly, I didn't, but I don't recall anything coming up on that issue.

Senator KERRY. On the second trip to London with the attorneys, what was the substance of the discussion there with respect to the compliance process?

Mr. BENCH. Well, I remember, first of all, arriving that morning and meeting with Mr. Naqvi. We explained that we felt that, again, while everybody's energy in that bank was devoted to the money laundering indictment, there were other things they really had to worry about such as bank examiners, bank examination reports and the fact that the place still had to operate everyday. There was a need to look at how it was operating and where it wasn't operating right, from a back-room standpoint, and to straighten it out.

My recollection is that Mr. Naqvi was sympathetic to that view. He was not a back-room person himself, but he was sympathetic and he wanted the idea further developed. So, we met with various people around the bank such as the auditor and the compliance person. We took a decision to have a model which isn't unlike the model that is used in the United States, that is you create a compliance task force that really etches out a charter as to how the organization will deal with compliance.

Senator KERRY. Was there a discussion there at that time about the depth of the problems the bank had with respect to its nominee structure on ownership in the United States?

Mr. BENCH. I don't remember any discussion about that.

Senator KERRY. Was that—sorry, go ahead.

Mr. BENCH. The discussions I was involved in had to deal with debits, credits, internal controls, loan review, that kind of thing.

Senator KERRY. But the loan review involved stockholders of First American.

Mr. BENCH. Yes, but we didn't get into—

Senator KERRY. You never got into that kind of detail?

Mr. BENCH. I don't know whether you are right or wrong on the—

Senator KERRY. So you never got into any detail with respect to that?

Mr. BENCH. We were getting into the process of how—

Senator KERRY. OK, that was purely a process oriented meeting, you say?

Mr. BENCH. Nut and bolt, gearing kind of stuff, right.

Senator KERRY. At that time were you still offering assistance to BCCI on a worldwide basis?

Mr. BENCH. At that time, as I recall, Senator, our draft proposal letter was on the table being considered.

Senator KERRY. And was there discussion about what kind of benefits you could provide to BCCI at that point on a worldwide basis?

Mr. BENCH. As I recall the discussions, they took a view, which wasn't totally incorrect, they started to—as I recall, Senator, the best I can—there was a shift in mood in terms of saying, we do believe you. We have got to pay attention to the United States, we have got to deal with those agencies and make certain they are operating properly. So let's get on with it.

Senator KERRY. Did you ever meet with regulators on behalf of BCCI?

Mr. BENCH. No, Senator, I don't recall any meetings with—

Senator KERRY. Did it trouble you at all personally that Mr. Altman was acting both as attorney as well as President of First American?

Mr. BENCH. That's a good question, Senator, and your staff asked it the other day. As I recall, in our engagement in this compliance business, to the very best of my recollection, I don't recall any First American issues. But the reason I say that is because it was very clear that in this exercise Mr. Altman and Mr. Clifford were lawyers for BCCI. The general legal team clearly jumped when they asked for something and clearly operated as if they were attorneys working for Mr. Altman and Mr. Clifford.

Senator KERRY. Did you, Mr. Bench, have any sense of déjà vu at all, or any sense of premonitions, suddenly gaining life from the Vaez memo as you went through this process? Was there any linkage in your mind?

Mr. BENCH. No. I thought you were going somewhere else. No.

Senator KERRY. Where did you think I was going? Help me.

Mr. BENCH. I thought you were going to ask whether I had any premonitions in terms of my general knowledge and background,

not necessarily the Vaez report but as a bank regulator. I am sure some other bank regulators feel the sameway, that this institution was around. It was an anomaly in terms of regulatory arrangements.

Those arrangements maybe could have been strengthened or could they have been strengthened?, second-guess, that kind of thing.

Senator KERRY. I have just a couple of more questions.

I have an internal Price Waterhouse memo which states that the Price Waterhouse U.S. was going to coordinate the offshore banking operations with its Cayman and Bahamian counterparts. Do you know who at Price Waterhouse U.S. was coordinating those activities with the BCCI offshore operations?

Mr. BENCH. No, I don't.

Senator KERRY. You have no knowledge of that at all?

Mr. BENCH. No.

Senator KERRY. You never had any connection to that operation?

Mr. BENCH. No, Senator. I don't recall any.

Senator KERRY. To your knowledge, has Price Waterhouse ever made referrals to any criminal enforcement agency or any bank regulator at any time regarding the BCCI issue or any Price Waterhouse or BBCI employee?

Mr. BENCH. Not to my knowledge, but I'm sure if you ask the firm they will be happy to answer that question.

Senator KERRY. We will ask the firm, but you do not have any knowledge of that?

Mr. BENCH. No.

Senator KERRY. Did you come across anything suggesting to you that they ought to?

Mr. BENCH. No. In our engagement, no.

Senator KERRY. Do you recall what Price Waterhouse was paid by BCCI on a yearly basis, beginning with when it took the account in November of 1988?

Mr. BENCH. I was told, but I don't really remember it. I mean, someone told me that, but I don't remember the fees.

Senator KERRY. Do you have a ballpark?

Mr. BENCH. I want to say something like \$4 million, \$4½ million over so many years. So much of it was for audit and so much of it was for special work.

Senator KERRY. But you do not have any specific knowledge?

Mr. BENCH. Somebody told me, but I don't remember it. It's something like \$4½ million, Senator.

Senator KERRY. That is all right. We will get that.

Did your relationship in terms of the compliance process change at some point? I mean, you began as one of the sort of reference partners. Then, I understand, you wound up spending less time on it. Is that accurate? Did something change in the process?

Mr. BENCH. I'm not certain I recollect that. I can speculate.

Senator KERRY. Well, we do not want you to speculate.

Let me just ask you if you would consent to be available if we have any subsequent questions. I want to leave the record open. I am a little bit at a disadvantage because I was not able to be here when Senator Brown asked questions, and so I am probably repeat-

ing some, and not even getting at some. So we may want to follow-up with you with respect to that.

Mr. BENCH. Fine.

Senator KERRY. Mr. Secretary, really, you saw your duty defined at that point as really purely administrative, and as one of a chanceler of information, and not one who had a sort of executive responsibility with respect to subsequent decisions. Is that fair?

Mr. MULHOLLAND. That's correct. Yes, sir.

Senator KERRY. And it was kind of, the buck stops somewhere else, in essence, because of whatever the administrative structure was.

Mr. MULHOLLAND. That's correct.

Senator KERRY. Is it fair to say that just as the CIA has created a new set of directives with respect to public flashes of known criminal activity, that there ought to be a procedure in place so that when memoranda come from one agency to another suggesting that kind of activity in on-going, there ought to be a more accountable process in place to try to track that?

Mr. MULHOLLAND. Perhaps you're thinking of putting on the individual report where it's gone to, so that you know that it's gone to the necessary regulatory bureau. Yes. But I would assume that it would be the originating agency's responsibility to make sure there is a process that ensures that it gets to the proper authorities. Yes.

Senator KERRY. Mr. Vaez, are you a little bit amazed that this bank that you flagged in 1978 in a rather excellent piece of public service lived for 12 years to wreak the havoc that this has wreaked?

Mr. VAEZ. I guess in retrospect it is amazing. But I'd like to make a statement that will clarify something that I said previously that you did not pursue. I would like to stress the fact that Bank of America had identified the concerns that I cited. My report, basically, capsulized the Bank of America findings into one OCC document, if you will. And while my memorandum apparently has not been found, my subsequent report of examination did contain a criticism of that investment. And that criticism incorporates a good portion of my memo.

Senator KERRY. The criticism of the investment is contained where?

Mr. VAEZ. In my report of examination of Bank of America.

Senator KERRY. All right, fine. So we should, in fact, try to get a hold of that.

Mr. VAEZ. Right.

Senator KERRY. I think we do have that. If not, we will try to get a hold of that. That is where, at the OCC?

Mr. VAEZ. Yes.

Senator KERRY. It should be at the OCC. Well, I appreciate that.

Mr. VAEZ. And that is the official document.

Senator KERRY. I understand and I appreciate that. I think it will be very helpful to us, obviously, in understanding the full measure of what OCC had. We will certainly get a hold of that.

And that is an interesting point also, particularly in view of the memo that went to Treasury—that is, the memo from CIA and the

other memo, because what you are saying is that OCC had a direct report notwithstanding from you. That is correct?

Mr. VAEZ. Yes.

Senator KERRY. Mr. Secretary, I appreciate your coming and helping to share some light on this. I think there are obviously things that happen in bureaucracies, and none of us are perfect in that regard. A lot of things get dropped up here, too. And it is hard sometimes.

There are further questions that I know we have with respect to Price Waterhouse. I know Price Waterhouse is not excited about that. But we do want to try to understand better what happened in the auditing process with respect to this entity over those several years.

But that was not really the purpose of today's hearing. It was more to understand the connection with respect to you, particularly, Mr. Bench, in terms of your earlier knowledge and the intervening years. And we appreciate very much also your taking time to come in and be part of this process.

We will leave the record open for answers to questions submitted in writing and will insert in the record documents pertaining to contacts between BCCI and former CIA director Richard Helms; and audit reports of Price Waterhouse concerning BCCI, including Price Waterhouse's 1990 "Sandstorm Report."

[The information referred to follows:]

DRAFT 22 JUNE 1991

XX June 1991

RA Barnes Esq  
Assistant Director and Head  
of Banking Supervision Division  
Bank of England  
LONDON EC2R 8AH

Dear Sir,

**REPORT ON SANDSTORM SA UNDER SECTION 41 OF THE BANKING ACT 1987**

In connection with our audit of Sandstorm SA ('the Company') and its related entities, including Sandstorm Holdings ('Holdings') and Sandstorm Overseas ('Overseas'), together the Sandstorm Group ('Sandstorm', 'the Group' or 'the bank'), for the year ended 31 December 1990 certain irregularities were drawn to our attention and to that of the Bank of England ('the Bank') by [REDACTED] in January 1991.

In accordance with your letter of instruction of 4 March 1991 we have prepared a report on these irregularities and related matters which have come to our attention during the course of our work. This comprised work in connection with the audit of the financial statements including the review of reports prepared by an investigation team, which included partners and staff of Price Waterhouse, review of correspondence and other files previously held by [REDACTED] and interviews with senior management.

Many of the findings summarised in this report arise from examination of documentation and interviews with former management by members of the investigation team. Whilst the findings are inevitably based on incomplete information, and certain details have not been corroborated, we believe that the enclosed report provides a fair reflection of what has occurred, although detailed analyses of specific transactions given in this report should be treated with care. Work by the investigation team is continuing and it is expected that many of the matters reported will be refined further as this work progresses.

It should be emphasised that much of the information contained in this report is based on records which have previously been concealed from us, as auditors, and only came to light as a result of our insistence on the files of [REDACTED] being sealed, such records having been in his personal possession.

The particular matter drawn to the Bank's attention by [REDACTED] concerned potential deposits of approximately \$500 million not recorded in the books of the Company or any of its related entities. Our work to date, has confirmed that at least the major element of these deposits appear to be valid liabilities of the Company or its

DC 020287

XX June 1991  
 RA Barnes Esq  
 Page 2

related entities. The Government of Abu Dhabi has issued to Holdings a comfort letter of \$800 million in the event that these liabilities become repayable, as part of a package of financial support arrangements concluded in May 1991.

The accounting records and financial position of the Group have been falsified in relation to the above transactions for a substantial number of years. In fact these transactions represent only a part of a wholesale deception to misrepresent and falsify the financial position of Sandstorm over the last decade through a series of complicated manipulations. These included the use of a related bank (Fork Overseas), which now appears ~~to have been controlled by Sandstorm management~~; nominees and held harmless ~~arrangements~~ with a substantial number of prominent Middle Eastern individuals; the subsequent use of funds placed under management ~~arrangements~~; the formation of a significant number of companies and operation of ~~business~~ accounts outside the Sandstorm Group used to disguise the nature of transactions and route funds; the creation of a further 70 or so companies to assist in the financing of ~~arrangements~~ agreements and unrecorded borrowings through third party banks ~~etc~~ and investment institutions ~~etc~~; and a significant falsification of the accounting records (involving false loans, transactions and confirmations) on such a scale that the true financial history of Sandstorm is unlikely to be able to be recreated.

In order to place the unrecorded deposits in context we have briefly summarised the history of Sandstorm and the manner in which deception on such a scale was achieved with reference to some of the major customers and shareholder arrangements and relationships. Our report is divided into the following sections:

- 1 History and Current Status of the Problems
- 2 Shares and Capital Notes
- 3 Routing arrangements
- 4 Treasury
- 5 ~~arrangements~~
- 6 WXYZ
- 7 Unrecorded deposits - Turnblaweed and others
- 8 Unrecorded deposits - Islamic banking

In addition, we have prepared a separate report for the Board in respect of our concerns in relation to Fork and its relationship with Sandstorm which we enclose.

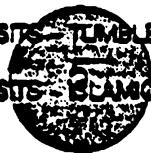
Please let us know if we can be of any further assistance.

Yours faithfully,

**REPORT ON SANDSTORM 2A  
UNDER S 41 OF THE BANKING ACT 1987**

**CONTENTS**

	<b>Pages</b>
<b>SECTION 1: HISTORY AND CURRENT STATUS OF PROBLEMS</b>	1-11
<b>SECTION 2: SHARES AND CAPITAL NOTES</b>	12
<b>SECTION 3: ROUTING ARRANGEMENTS</b>	13-14
<b>SECTION 4: TREASURY</b>	16-21
<b>SECTION 5: [REDACTED]</b>	22-24
<b>SECTION 6: WXYZ</b>	25-31
<b>SECTION 7: UNRECORDED DEPOSITS - TUMBLEWEED AND OTHERS</b>	32-36
<b>SECTION 8: UNRECORDED DEPOSITS - ISLAMIC BANKING</b>	37-44



**APPENDIX I - HISTORY OF [REDACTED] EXPOSURE**

**[APPENDIX II] - HISTORY OF SANDSTORMS' RESULTS**

**APPENDIX III - STATEMENT BY [REDACTED] OF FICTITIOUS PROFITS AND LOSSES**

## SECTION 1: HISTORY AND CURRENT STATUS OF THE PROBLEMS

### Background

- 1.1 The Sandstorm Group was founded in 1972 with capital from Arab investors and with Pakistani management. The driving force behind the bank's achievement was [REDACTED] [REDACTED] who had a grandiose vision of the bank, and the global role it should play. He cultivated people of influence, particularly in the Middle East, and created a culture of unquestioning loyalty among his colleagues and staff.
- 1.2 Central to his vision was the need for the bank to grow rapidly and become a force in international banking. Whilst the results of the bank were reasonably satisfactory in the 1970's, particularly with increases in oil wealth in the Middle East, the early 1980's were a period of severe economic problems. The fall in oil prices, shipping industry recession, the Siq Al Manshi crisis in Kuwait all had a severe effect on Sandstorm's business, and would also have had a significant impact on reported profitability had [REDACTED] and [REDACTED] [REDACTED] not manipulated transactions.
- 1.3 Given the bank's vulnerability as a result of the absence of a lender of last resort, and its relationship with rest of the banking community, [REDACTED] and [REDACTED] believed that profitability was essential and it could not show a weak balance sheet or poor operating results; furthermore, such profitability was critical to the maintenance of value in Sandstorm's share price which was itself essential to :
- maintaining the confidence of the [REDACTED] investors some of whom had been provided with guaranteed rates of return
  - the sale of shares at \$40 per share giving rise to significant premiums.
- 1.4 [REDACTED] and [REDACTED] had to find a way of avoiding provisions on poor lending, particularly in respect of loans to the Gulf Group, and also inflating the reported results to create the image of success. They apparently believed that the disclosure of the full extent of the losses at this time would have jeopardised the very existence of the bank. Accordingly, in the early 1980's, and possibly before, they commenced what became a very complicated series of manipulations of loan and deposit accounts, treasury activities and purchases of own shares. [REDACTED] contends that these were temporary measures particularly to build up the premium within Sandstorm's shares such that through nominees, it could sell the shares and thus generate sufficient profits to cover deficits.
- Non-performing loans**
- 1.5 At an early stage in the bank's history it appears that problems developed in the loan portfolio particularly in respect of the [REDACTED] which lending had been significant in relation to its capital base since 1978, as illustrated in Appendix L. When in 1978 it became apparent that the [REDACTED] was in financial difficulty, [REDACTED] took direct responsibility for these accounts, and it appears that significant account manipulation began at that time. Over the last decade it appears that [REDACTED] have largely been unable to service their lending and that [REDACTED] has misappropriated funds under the management of Sandstorm officers through Fork Investments. These funds have been channelled, inter alia, into the [REDACTED] in order to allow it to repay third party bank borrowings, and to conceal the extent of Sandstorm's exposure.

These funds are taken into account the real liability of the Bank. It is significant that the amount of 2831 million recorded in the books of Sanefarm at 29 December 1990. But this is unlikely to improve recovery prospects.

Apart from [REDACTED] the bank has a history of poor lending where it now appears that a significant amount of account manipulation has gone on. This has included the utilisation of funds routed through Fork, including funds managed by Fork Investments; the use of fictitious loans drawn down in the names of third parties; and the use of unrecorded deposits. In an attempt to avoid the need to make provisions. This routing of funds has been carried out on a very significant scale, involving a number of related companies, including the Fork Holdings Group, BCP, NBC and KIFCO and third party banks such that it is now difficult for anyone to ascertain the true nature of external exposure recorded in the names of certain major customers.

#### Fictitious profits/concealed losses

- 1.8 It now appears that over the period from 1977 to 1985 the Treasury operations of Sanefarm made significant losses. These losses were concealed and at the same time significant profits were manufactured. The precise amount of such losses/fictitious profits cannot now be established but may well have been of the order of \$600 - \$700 million before funding costs; or approaching \$1 billion if funding costs are added.
- 1.9 These losses were originally funded through unorthodox means at the behest of [REDACTED] until 1986, when it was discovered that significant losses had been incurred on option trading. When [REDACTED] resigned he left a record of his activities with [REDACTED] who brought under his own control the amounts which had been financed by unorthodox means. [REDACTED] set up a small central team under [REDACTED] to review the record left by [REDACTED], verify the representations made by [REDACTED] and maintain contact with the customers. We understand that whilst [REDACTED] attempted to establish some control by reinstating customer deposits largely by using funds from Fork, he could not bring himself to make full disclosure, which would almost certainly have brought the bank down.
- 1.10 Instead as a result of continued pressure for profits and loan servicing he continued to use unrecorded deposits, certain external funds (with Fork Holdings and companies controlled, but not legally owned, by it) and funds drawn down on bogus loan accounts in the name of prominent Middle East investors. These funds were applied to adjust other balances by [REDACTED] order to avoid making provision for bad loans and to conceal the past Treasury losses. In an enormous and complex web of fictitious transactions in what is probably one of the most complex deceptions in banking history.
- 1.11 These losses now form a major part of the current deficit in the bank which has been rectified by the financial support arrangements provided by the Government of Abu Dhabi.
- 1.12 In summary the losses from Treasury and non-performing loans were concealed and significant profits 'manufactured' by various mechanisms including:
- (1) failure to record deposits and other liabilities
  - (2) the creation of fictitious loan accounts

- 5) use of funds from Fork, which was controlled by Sandstorm management.
  - (4) use of third party funds placed under management with Fork entities.
  - (5) routing funds between accounts using both Fork and other affiliates, including BCP, KIFCO and SDCC and also third party banks, in order to disguise the nature of transactions, including the bogus 'refreshing' of delinquent accounts. A substantial number of companies were set up and controlled by the management of Sandstorm and Fork and used to route funds.
  - (6) agreements with and unrecorded borrowings through third party banks [REDACTED] and investment institutions [REDACTED].
  - (7) purchase of own shares through nominees; and use of buy - back arrangements.
  - (8) use of the underlying value of shareholdings in WXYZ to increase loans in the names of nominees.
  - (9) hold harmless agreements with, and non-recourse loans to, a number of major customers, including many prominent people from the Middle East.
  - (10) collusion of major customers in submitting false confirmations to the external auditors.
- 1.13 In recent years these activities have continued on a significant scale in an attempt to conceal total losses of several billions of dollars. The total amount cannot be established both because of the problems of untangling the complex web of deception and because we have had no access to the losses of funds under management within Fork.
- 1.14 The history of the bank's results since its foundation is shown at Appendix II [outstanding]. There is insufficient information available with which to recreate the bank's accounts with the knowledge that is now available but on the basis of the losses which have been concealed, it would appear that the bank has generated significant losses over the last decade and may never have been profitable in its entire history.
- Current status**
- 8 In our report to the Directors of 28 March 1991 which was provided to the Bank as background for a meeting with the College of Banking Supervisors, we discussed a portfolio of problem loans of some \$4 billion which it was proposed would be dealt with under Financial Support Arrangements to be concluded with the Government of Abu Dhabi.

### **Financial Support Arrangements**

1.16 The Financial Support Arrangements were signed on 22 May 1991 such that the problem loans were transferred at book value to new companies for realisation, either owned directly by the Government of Abu Dhabi or, if not, largely guaranteed by it. In return for the loan assets transferred Sandstorm received promissory notes denominated in US dollars and UAE dirhams, equivalent in face value to \$3,061 million, issued by the Government. The residual risk to Sandstorm in respect of these loans transferred is twofold:

- (1) the legal agreements for the transfer of loan assets to companies A, A1, and B provide that the loan assets can be reassigned to the appropriate Sandstorm entity in the event of any breach of the warranty that the loan assets do not involve any activity which is criminal or illegal and which, if revealed, might be expected to damage the international reputation of the Abu Dhabi Government. The Abu Dhabi Government has confirmed that it is not its intention to reassign the loan assets in question on the basis of the circumstances known to it at present.
- (2) Insofar as the loan assets transferred to Company B of \$1,016 million exceed the amount of the guarantee of \$750 million of the Government of Abu Dhabi, the Sandstorm Group would bear any additional losses on realisation. On the basis of current information the amount of \$256 million is considered to be recoverable.

### **Problem loans**

1.17 Investigation work to date has confirmed that there are irregularities surrounding many of the loan assets in question, and in particular all of the major advances which have given concern over recent years. These are discussed in more detail in the appropriate sections of the report but are summarised below:

	Exposure at 29.12.1990	Estimated losses
	\$ m	\$ m

#### **Company A**

WXYZ	• loans in names of apparent nominees, with no liability for repayment. Loan accounts include certain transactions not in any way connected to WXYZ or the named borrowers. Recoverability depends on value of 58% of shares in WXYZ which, given the current likelihood of a distress sale and legal difficulties, is likely to be heavily discounted.	1,480	Unquantifiable
------	---	-------	----------------

Total Company A		1,480	Unquantifiable
-----------------	--	-------	----------------

<u>Company A1</u>	Exposure at 29.12.1990	Estimated losses £ m
██████████		
• fictitious loans set up in connection with repurchase of shares	213	213
██████████		
• extensive account manipulation resulted in misappropriation of deposits. When these had to be made good, fictitious loans were created.	135	135
██████████		
• In 1985 █████ deposited \$100 million to be invested in Sandstorm shares on a guaranteed return basis. The shares were transferred but the deposit was misappropriated. On 'disposal' and upon demand the bank created three fictitious loans.	154	154
██████████		
• owned by Fork through nominee shareholdings. Whilst █████ had certain operative accounts, these accounts are non-operative and contain fictitious transactions and charges.	82	82
██████████		
• most of lending is non recourse. Significant nominee arrangements and hold harmless letters, including arrangements of uncertain legality. In relation to purchase of █████ and █████	584	584
██████████		
• Significant use of non recourse accounts for debt servicing; routing of internal and external funds; and share transactions.	442	412 (highly uncertain)

		Exposure at 29.12.1990 £ m	Estimated losses £ m
██████████	• appears to have acted in a nominee capacity in respect of SDCC, █████ (a UK bank) and █████ as well as WXYZ.	249	100 (highly uncertain)
KIFCO	• a non consolidated affiliate. Exposure relates to parked loans to avoid provisioning and fictitious loans for debt servicing.	125	125
Other	• largely accounts of no commercial substance set up for debt servicing.	201	201
		<u>1,017</u>	<u>537</u>
Total Company A1		<u>1,611</u>	<u>1,531</u>
			
<u>Company B</u>			
██████████		21	15
██████████	• exposure significantly understated due to use of external funding.	783 (200) Provisions	513
Other	• miscellaneous bad lending and accounts that have been manipulated. Some recovery prospects.	548 (136) Provisions <u>412</u>	222
Total Company B		<u>1,016</u>	<u>760</u>

Unrecorded deposit liabilities

1.18 As alleged by █████ there appear to be material deposit liabilities not recorded in the books of any of the Sandstorm entities. At 31 December 1990 these totalled approximately £300 million and it is clear that there have been significant 'out of book' deposits of fluctuating material amounts for the last ten years.

1.18 These unrecorded deposit liabilities fall into three categories:

(1) Unrecorded deposits which can be linked back to treasury activities in the early 1980's	_____
(Tumbleweed and [REDACTED])	442
(2) Unrecorded deposits arising from account manipulation in Islamic Business Unit (IBU) in UK Region during 1990	85
(3) Unrecorded miscellaneous deposits	42
	<u>569</u>

1.20 The Government of Abu Dhabi has issued a comfort letter to the Bank indicating that it will reimburse Sandstorm to the extent that these liabilities are proven to be liabilities of Sandstorm.

1.21 These matters are discussed in Sections 7 and 8 of our report, where with the exception of the miscellaneous items, we conclude that these items appear to be genuine liabilities of the bank.

Fork

1.22 We have reported to the directors of Sandstorm our concerns about the relationship between Sandstorm and Fork and about the involvement of Fork in transactions which have financial implications for Sandstorm. A copy of our report of 18 June 1991 is enclosed as an attachment to this report and includes examples of such transactions initiated by Sandstorm management. The information in the report is derived from a review of correspondence and other files previously held by [REDACTED] and from interviews with him and [REDACTED]. We have also had preliminary discussions with members of the investigation team who have recently visited Grand Cayman as part of the Sandstorm investigations.

#### Responsibility for and knowledge of the irregularities

##### Management

1.23 From the investigation work it is apparent that the senior management of Sandstorm have abused their responsibilities to depositors, shareholders, investors, regulators and to the bank itself. The strategic decisions to manipulate accounts, and in particular how to make use of the Fork relationship, the funds placed with Fork and the value within the shares of WXYZ, are clearly those of [REDACTED] and [REDACTED].

1.24 The inflation of Treasury profits and use of unrecorded deposits is represented by [REDACTED] to have been the sole responsibility of [REDACTED], however, it seems more likely that [REDACTED] was responding to the expectations of [REDACTED] and [REDACTED] particularly as in other areas, eg [REDACTED], there is evidence that [REDACTED] was instrumental in account manipulation as far back as the late 1970's.

[redacted] surrounded himself with a core team who were largely responsible for the creation and classification of documentation and fraudulent account entries and funds flows as follows:

• [redacted] (General Manager of [redacted] from 1986)

[redacted] (account officer for WXYZ and [redacted])

• [redacted] (account officer for Turnipweed)

[redacted]

[redacted] (account officer for major customer accounts)

[redacted]

[redacted] (account officer of [redacted] until he left in 1988; paid \$1.7 million by [redacted]).

[redacted]

[redacted] (responsible for the bank's relationship with [redacted] - left the bank in 1989).

[redacted]

[redacted] (account officer for [redacted] and [redacted] now left the bank and received \$0.3 million).

[redacted]

[redacted] (Head of [redacted] and General Manager of [redacted] (up to 1988))

[redacted]

[redacted] (General Manager of [redacted] until 1989)

- Currently employed by Sandstorm as part of the 'Advisors' office, the purpose of which is to assist the investigation team with its enquiries.

1.26 From the scale and complexity of the deception it is clear that most of the senior management of the bank, who as noted were (and remain) extremely loyal to [redacted] and [redacted] were or should have been aware of certain elements of the fraud. Many simply followed instructions they should have questioned. Failure to do so appears to have arisen from a blind loyalty to [redacted] and [redacted] brought about by the cultural background where it was unthinkable to question either [redacted] or [redacted]. It is also noteworthy that most of the senior management have been provided with significant loans from the bank which on the basis of previous experience are not necessarily repayable on leaving ('employment').

1.27 We have particular questions concerning the existing senior management of Sandstorm as listed below. We have not yet, however, interviewed all of them to obtain their version of events. Many of these senior executives have followed instructions from [redacted] apparently without question and many others are likely to be similarly implicated:

[redacted]

[redacted]

(1)

There is evidence of his approval of certain questionable transactions booked through the accounts of [redacted] [redacted] and used to repurchase Sandstorm's shares from [redacted] [redacted] although his knowledge of the transactions concerned is uncertain. [redacted] appears

to have accepted responsibilities to assess  
or the matter from [REDACTED] without  
question.

- (2) Over the period from April 1980 to December 1980 we believe that [REDACTED]  
had substantial, if not full, knowledge of all of the matters dealt with in this report,  
yet did not discuss them, even in response to street questions, until much later.
- (3) Over the last year he has given additional responsibilities to various individuals, including some of those listed below, who appear to have been involved in fraudulent transactions.

[REDACTED]  
**General Manager**  
[REDACTED]

Involvement in questionable transactions including nominee shareholdings, Park loans and false confirmations.

[REDACTED]  
Joint executive for  
Asia/Middle East  
Germany general manager  
for [REDACTED]

False accounting for loans subsequently found to be part of [REDACTED] exposure.

[REDACTED]  
**General Manager**  
[REDACTED]

(1) Appears to have controlled nominee share transactions particularly in the name of [REDACTED] booked in Park.

- (2) Involvement in side agreements under which Sandstorm capital notes are repayable on demand.

[REDACTED]  
**UK Region**

Was the General Manager of [REDACTED] for the period (1984) to 1980 when routing of funds was most significant.

[REDACTED]  
**General Manager**  
[REDACTED]

Property transactions with [REDACTED] booked in the name of nominees.  
Misrepresentation with respect to beneficial ownership.

- (1) On instructions from [REDACTED] created fictitious customer loans to cover up misappropriated funds in 1980.
- (2) Responsible for the [REDACTED] and account officer for [REDACTED] and [REDACTED]

■■■■■ now left	Manager ■■■■■	Now with ■■■■■ in London. Passed stock committee.
■■■■■	General Manager ■■■■■	Creditor of fictitious bank to finance nominee shareholders in an affiliated company in Thailand during July 1989.
■■■■■	Central Office	Booking transactions in Fark.
■■■■■	Legal Department UK Region	Drafting of fraudulent agreements.)

- 1.28 The management of Fark, notably ■■■■■ have also been integrally involved in the improper transactions and nominee arrangements; but inform us that everything they did was at the request of ■■■■■ and ■■■■■

#### • Directors:

- 1.29 In the light of the scale and complexity of the transaction it is difficult not to conclude that the Board failed to discharge its responsibilities properly. Nevertheless there is no indication, with the possible exception of ■■■■■ that the present Board of Directors was aware of the major irregularities within the bank, and it is clear that it has been consistently provided with misleading and inaccurate financial and other information. The Board had not been informed of the hold harmless or nominee arrangements, or the bank's and its management's true relationship with a number of major customers and shareholders.

- 1.30 ■■■■■ was a director from 1986 to 1988 and is implicated in irregular transactions relating to the purchase of his own shares in Sandstorm and CCAH.

- 1.31 All major loans had to be approved by the Board, but it appears that a significant number of drawdowns went to the Board for approval after disbursement of funds and thus effectively avoiding its control. However, there is little evidence that the Board took any effective action to limit or reduce the exposure to individual customer groups, or monitor the implementation of the Credit Policy. Limits were often increased after the event without insistence on effective recovery action.

- 1.32 Overall the Board appear to have been taken in by and trusted, dominant and deceitful management, in the form of ■■■■■ and ■■■■■

#### • Shareholders

- 1.33 The relationship between ■■■■■ and latterly ■■■■■ with the major shareholders, being the Ruling family of Abu Dhabi, goes back a substantial number of years, and has been a very close one. ■■■■■ and subsequently ■■■■■ acted as the Ruler's personal investment advisor and had his power of attorney. The extent to which ■■■■■ was aware of the matters discussed in this report cannot be established. We are, however, informed that ■■■■■ were briefed fully on all the problems in April 1990, notwithstanding that they allowed the 1989 accounts to be finalised in discussions with ourselves and the Regulators without disclosing this information. In addition, up until disclosure of our Report to the

Directions and Regulations of 3 October 1990. [REDACTED] contended that the 'icons for collection by the shareholders' which have now been proven to be totally fictitious, were recoverable.

- 1.34 We have discussed with [REDACTED] his own accounts with Fork which show that he received funds in 1988 and earlier from transactions purporting to be dealing in Sanosorm shares where it now is apparent that he had no risk of loss. He has confirmed that he has benefited from such transactions arranged by [REDACTED] and that in April 1990 he informed other senior government officials of his involvement. We are unable to establish the extent to which his position in relation to [REDACTED] and [REDACTED] may have been compromised as a result of these transactions but we have become aware of his confirmation of what has now been revealed to be a fictitious loan in the name of the [REDACTED]. He could not recollect signing the confirmation that was presented to him by [REDACTED] and suggested to us that his signature might have been forged.
- 1.35 We have also seen circumstantial evidence of a proposed share transaction with [REDACTED] in 1981 on a guaranteed return basis; and an 'out of book' loan from [REDACTED] in 1988 to finance the [unauthorised] buy-back of shares from [REDACTED]

## SECTION 2: SHARES AND CAPITAL NOTES

- 2.1 Sandstorm was established in 1972 with an original share capital of \$2.5 million. Through a number of scrip and rights issues this has increased to \$8.5 million at 31 December 1990. It appears that over the Bank's history extensive use has been made of nominee arrangements to finance these increases in share capital. Shareholdings appear to have been financed both directly by loans from Sandstorm and Fork, and also from accounts and companies under the control of [REDACTED] and [REDACTED]. The use of nominee arrangements through Fork entities has enabled Sandstorm to disguise the beneficial ownership of shares and has also provided a pool of shares for setting guaranteed yield obligations and other adjustments, including the generation of funds from share trading.
- 2.2 Some shareholders, including [REDACTED] and [REDACTED] acquired shares on the basis of guaranteed rates of return and others acquired their shares on the basis of buyback arrangements. These seemed to have been a practice to gain the favour of influential people in the Middle East. There is a risk that remaining shareholders may make claims in respect of losses incurred on Sandstorm shares which were purchased by them on the basis of buyback or guaranteed rate of return, and to date one such claim has been made by a former shareholder.
- 3 Investigation work continues in this area but as at 31 December 1990 some four million shares (\$40 million nominal) are effectively owned by Sandstorm or Fork through a number of nominees, including [REDACTED] and [REDACTED]. We are informed that other nominee shares were purchased by [REDACTED] and [REDACTED] during 1990. If all these purchases were those of nominees, which may well have been the case, it would appear that some 45% of the share capital of Sandstorm was in the hands of nominees at 31 December 1989, whilst a further 11% was owned by Fork entities.
- 2.4 There is evidence that holders of capital notes entered into side agreements with Fork which provided for repayment on demand instead of in accordance with the terms of the capital note issue. There exists the possibility that the remaining note holders have entered into similar arrangements.

### SECTION 3: ROUTING ARRANGEMENTS

- 3.1 [REDACTED] office in London was the source of instructions for the movement of funds in order to cover the exposures on loan accounts. These routing transactions were effected by the 'special duties' department on the instructions of [REDACTED], [REDACTED] and [REDACTED] through a number of bank accounts including those controlled by [REDACTED] of Fork.
- 3.2 From the routing bank accounts already identified it is possible to see that the initial transactions took place on a small scale in 1981 and remained fairly insignificant until 1984. Transactions appear to have ceased by 1990, with the exception of some accounts at [REDACTED] controlled by [REDACTED] of Fork which were used until (September 1990).
- 3.3 The level of activity reached its peak in 1986 when some \$1.6 billion was passed through bank accounts on the instructions of members of the special duties department. This seems to coincide with the disclosure of the increasing difficulties on the Treasury activities.
- 3.4 The end of the year 1986 also appears to have been a turning point in the method of operation of routing accounts with a significant reduction in activity passed through affiliated banks.
- 3.5 Funds were needed to manipulate the records of [REDACTED] loan accounts as well as to make good the deficiencies of the treasury operations and it seems that to some degree these two problems were separately managed. A close relationship with [REDACTED] Companies enabled the 'special duties' department to open accounts in customers names at a number of banks including BCP Luxembourg, [REDACTED] and [REDACTED]. To date eleven such accounts have been identified but available documentation remains patchy and further accounts may well exist. Proper account opening forms and confirmatory letters of payment instructions were procured from [REDACTED] in order to avoid any suspicion about the purpose and nature of the transactions.
- 3.6 Aside from these [REDACTED] bank accounts, the "special duties" department also needed to generate transactions for other customer loan accounts. Relationships were established with BCCI executives at other locations who would pass payments across their nostro accounts apparently without the need for a full customer mandate. These transactions were generally effected by teletext teleaxes using the BCCI London test key or on the basis of personal telephone calls from members of the department. These arrangements with BCP Zurich, BCCI Spain - Madrid, KIFCO and National Bank of Oman and SDCC were made possible by the knowledge that they originated from the highest levels within the Bank and no doubt the staff felt that they were providing an essential service to [REDACTED]. The recording of these transactions appears to have been irregular and they were either not entered in the ledgers or effected by single sided, but compensating entries.
- 3.7 Transactions passing through Spain, Kuwait and Oman all appear to have been identifiable to the ultimate beneficiary of the funds, however, transactions through BCP were marked "PAY WITHOUT MENTIONING OUR NAME" with the result that the recipient was unable to identify the source of funds.

- 3.8 Accounts operated by management of Fork add a further dimension to these routing arrangements. Accounts were opened at BCP Luxembourg, [REDACTED] and [REDACTED] in the name of Fork 'client accounts' or in the name of companies which had come under the control of Fork management. It appears that almost all transactions were sourced by memo's or telephone calls from the 'special duties' department to [REDACTED] who would instruct payments to be made by Fork staff in Cayman, or on the basis of telephone calls to the branch managers. [REDACTED] would, if needed, then visit Switzerland to sign confirmatory letters covering the execution of transactions.
- 3.9 The ability of the 'special duties' department to undertake transactions of this nature was undoubtedly facilitated by the corporate culture of the Group, and a general belief expressed by a number of those involved that whatever was being undertaken by [REDACTED] had to be in the best interests of the Bank.



This page has been deliberately  
left blank



## SECTION 4: TREASURY

### Background

4.1 Central Treasury was a division of the Head Office of Sandstorm Overseas. It was set up in London in 1982 to provide a centralised and accelerated vehicle for the investment of surplus funds generated by Sandstorm worldwide. On a day to day basis investment and liquidity management services were rendered within prescribed guidelines to Treasury by the central support office in London.

4.2 Treasury activities fell into two distinct functions:

- The Investment function which traded in CDs, treasury bonds and various dealing activities; and
- The Liquidity management function which utilised surplus liquidity generated by the BCCI group. Any funds in excess of the investment requirements were placed on the inter bank market. The Liquidity management functions were performed through the London Branch of SA under the overall direction of a manager within Treasury.

4.3 Treasury activities were managed up until 1985 by [REDACTED] who was also responsible for the [REDACTED] branch of Sandstorm Overseas, which managed the accounts of a number of significant customers and shareholders. A Treasury Committee including [REDACTED] and [REDACTED] was set up to monitor treasury activities. The effectiveness of the treasury committee appears to have been compromised since these activities continued to be accounted for as part of the [REDACTED] branch and [REDACTED] was never called to account for treasury results separately. Because he appeared to be generating significant profit his activities continued in an uncontrolled manner, and he was given increased responsibilities in the use of all surplus Sandstorm funds for trading and investment purposes.

4.4 [REDACTED] appears to have developed close links with a major customer of the Bank. [REDACTED] It appears that [REDACTED] made funds available to [REDACTED] for trading purposes on a profit share basis, in return for which he allowed [REDACTED] to use his name and that of his companies ([REDACTED] and [REDACTED]) to be used for trading for the account of Sandstorm. [REDACTED] traded in a number of markets, including commodities, futures and options, and to disguise the nature of his activities, he split Treasury into two as follows:

- Normal treasury activities, as described above
- Number two account activities, which appear to have been carried out in the name of particular clients. These activities were physically segregated, performed by different staff and outside the scope of external audit on the basis that they were for the account of private clients. In actual fact [REDACTED] appears to have been trading in the name of private clients but for the account of Sandstorm. In so doing he exposed Sandstorm to significant risks and lost considerable sums of money.

4.5 Through false accounting using number two account funds, [REDACTED] supplemented profits reported by the normal trading activities. In order to satisfy profit targets, [REDACTED] created a number of pool accounts in the name of [REDACTED] which used deposits credited to clients'

accounts, being drawn down in the name of AB Credit and other temporary customers unrecorded accounts and certain external lines. No attempt was made to segregate client lines from those of Sandstorm.

~~█████~~ reported increasing profits, particularly in the early 1980s. But in reality ~~█████~~ incurred significant losses on option and futures trading. From investigation work to date, it appears that ~~█████~~ wrote options towards margin rates and incorrectly accounted for the premium income. As the level of realised losses increased, Treasury staff appear to have taken further options to conceal these losses and generate fictitious profits. When losses were incurred on closing out the positions they were not booked against the profit and loss account, but instead against client accounts, bogus loans or other unrecorded sources of funding noted above. This activity appears to have been particularly prevalent in the years 1982 to 1988.

- 4.7 In late 1988 the RML requested a review of central treasury activities by the auditors. Management requested PW Cayman to carry out this work who in turn called on us for assistance. We discovered that significant losses were being incurred on option and futures trading but were not properly recorded. The exposure on open contracts was considerable and significant losses were incurred in closing out the positions. We had formed the conclusion that the accounting methods accepted were due to incompetence. However, with the benefit of hindsight, it appears more sinister in that it now seems to have been a deliberate way to fictitiously inflate income. As part of the review we did not examine the accounting for closed contracts of previous years (thus no significant losses accepted to have occurred - again with hindsight we might know that such losses were being concealed, as noted above).

#### Methods of concealment of treasury losses

- 4.8 Investigation work to date has indicated that ~~█████~~ used a variety of techniques to hide and conceal the true nature of the transactions undertaken. These included:
- misappropriation of deposits without depositors' knowledge to provide funds to active non-performing and bogus loan accounts, and Treasury losses.
  - misappropriation of external funds deposited under trust with Sandstorm and Park to be managed on behalf of a few prominent people who are also shareholders of Holdings.
  - the creation of loans with no commercial substance in the names of people without their knowledge.
  - selling certificates of deposit placed with the Central Treasury (without informing the depositor), and using the proceeds to fund adjustments.
  - routing funds through Park, BCP, KFCO, SDCC and other affiliates and third persons to make adjustments prior to accounting reference dates and audit confirmation dates, which were often reversed at a later date.
  - maintaining a pool of funds in two private named accounts of ~~█████~~ which were used freely by ~~█████~~ to fund adjustments. The funds were never those of ~~█████~~; his name appears to have been used only to classify the accounts as being for the general funding activities of the Treasury Division.

[REDACTED] Sanestorm in 1986, shortly after the discovery of losses on option trading. He subsequently provided [REDACTED] with a statement in which he set out the losses he had apparently incurred in earlier years from treasury trading activities which he had effectively hidden from Sanestorm management, together with a significant inflation of the amounts of Treasury activities. The inflation of profits was particularly significant in 1982, 1983 and 1984 when fictitious profits were supposedly \$166 million, \$136 million and \$234 million respectively. The full statement is attached as Appendix II. For the period 1977 to 31 December 1985 [REDACTED] claimed that the total amount of these losses/fictitious profits was \$633 million but this is before adjustment for losses of \$225 million booked in the 1985 accounts as a result of our treasury review.

- 4.10 Whilst the details of [REDACTED] statement are incapable of confirmation because the records from these earlier years are sparse and incomplete, it is clear that there was a major misappropriation of funds and falsification of accounting records in the early 1980s.
- 4.11 [REDACTED] took certain documents relating to his management of Treasury with him when he left. In 1988 he used this information to blackmail Sanestorm, which paid \$32 million to prevent him disclosing the true nature of the activities of Treasury Division. We have had no access to [REDACTED] who is currently [REDACTED] or any of the executives involved in the day-to-day management of Treasury under him.

#### Funding of treasury losses

- 4.12 On the basis of [REDACTED] own calculation of the accumulated losses conceded by him (including his assessment of the funding costs), of \$849 million his fraudulent activities up to early [REDACTED] appear to have been financed as follows. This analysis should be treated with caution because we have not been able to identify a number of the components.

#### Bonds utilized

	\$ m
Unrecorded deposits	400
Park managed funds	250
WXYZ secured loans	125
BCC Emirates : deposits	80
CD's	<u>71</u>
	151
Park loans	94
Other loans : [REDACTED]	80
Others	<u>119</u>
	189
BCP Luxembourg deposits	80
Other	<u>35</u>
	15
	1,318

Losses/(fictitious) profits	549
Losses adjusted	348
SDCC	82
Proceeds	38
Other	2
	1,318

## Unrecorded deposits

4.13 In part [REDACTED] funded his activities through 'out of book' deposits (which as explained in Section 7, form the basis of the unrecorded deposits at 31 December 1980).

4.14 Review of the Treasury pool accounts has indicated that certain deposits placed with Sandstorm and its affiliates, were routed into these accounts without being recorded as deposits by Sandstorm. Treasury appear to have used these deposits as free funds, with repayments and interest funded principally from the pool accounts themselves. The level of these unrecorded deposits appears to have fluctuated from \$32 million in 1982 to over \$600 million in 1984. The reduction to \$400 million by February 1986 was achieved through the increased use of external funds under management of Park entities made available by [REDACTED]

4.15 The make up of such unrecorded deposits at this time as summarised by [REDACTED] was:

	\$ m
Tumbleweed	246
[REDACTED]	61
[REDACTED]	48
[REDACTED]	24
[REDACTED]	18
[REDACTED]	6
	—
	400
	—

4.16 The Tumbleweed and [REDACTED] deposits, remain as unrecorded liabilities at 31 December 1980 and to the current date, as discussed more fully in Section 7. The other deposits have since been reinstated and repaid.

## WXYZ secured loans

- 4.17 By June 1985 the level of fictitious credits funded by [REDACTED] subsidiaries was estimated to be over \$500 million. There also appears to have been a need to service delinquent accounts in the books of Sandstorm (and Fork) at this time. As a result loans of \$225 million subsequently secured on the shares in WXYZ were drawn down in June 1985 in the name of:

[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]

- Numbered A/C

\$ m

47
31
37
10
68
8
11
14
<u>225</u>

- 4.18 These funds were applied in part to mitigate the accumulated losses of the Treasury division (\$125 million) with the remainder being applied to certain borrower accounts, including [REDACTED] (\$50 million) and [REDACTED] account at Fork (\$11 million). At same time (28 June 1985) an amount of \$60 million was paid by [Treasury] to [REDACTED] [REDACTED] a subsidiary of [REDACTED] a company (subsidiary) controlled by [REDACTED] for a unknown purpose.

## Other utilizations

- 4.19 From 1983 to 1986 Sandstorm appears to have had an informal agreement with [REDACTED] to secure loans given by the latter to Sandstorm nominees. Such funds were used by Treasury to service loans in an attempt to reduce the need for year end provisioning against delinquent accounts.

- 4.20 The Fork managed funds have/had not been capable of identification by us, while the Fork loans were drawn down in early 1986 by arrangement with [REDACTED]. We have been unable to identify Fork loans of \$180 million. The deposits and CD's placed by Emirates and SCP were utilized by [REDACTED] without authorisation, but, we are informed, have subsequently been repaid.

**Acquisitions**

We have been unable to analyse the \$348 million acquisition of funds used in various cars and mobile investments in early 1986 as these assets, from certain records that do exist at 31 December 1984 the principal acquisition of these assets is now given as follows:

- provide cash to fund WXYZ share acquisitions, often in the name of nominees, particularly [REDACTED] and [REDACTED] 82
- provide cash to fund share acquisitions in Sandstorm Holdings in the name of nominees, particularly [REDACTED] and [REDACTED] 118
- provide cash to fund purchase of capital notes in the name of [REDACTED] 8
- Investments in Credit and Commerce Insurance, SCBC and others. 25
- Other acquisitions of bad loans. 120
- Unidentified 368
- Unidentified changes between 31 December 1984 and 1986 (29) 348

**Brokers**

- 4.22 The main brokers used by Treasury division were:

[REDACTED]  
[REDACTED]

- 4.23 The investigation team has seen circumstantial evidence that these brokers did not always trade with Treasury at arms length, and may have facilitated [REDACTED] in manipulating profits. In particular [REDACTED] had a separate office to deal with Sandstorm and appears to have allowed Sandstorm to have a significant overdrawn balance at 31 December 1984 (\$40 million), which was possibly used to conceal losses/park liabilities at the 1984 year end.
- 4.24 [REDACTED] was established in 1984 and rapidly became one of the most significant of the brokers used by Treasury. Its initial shareholders were dominated by major customers of Sandstorm, including [REDACTED] and [REDACTED], and some 70% of its share capital was registered in the names of people for whom [REDACTED] was retained as adviser. [REDACTED] joined [REDACTED] leaving Sandstorm in 1986, as did his deputy [REDACTED] and subsequently became a shareholder and director. Despite an apparent cessation of trading links with [REDACTED] at the instigation of [REDACTED] apparently on the advice from the then group auditors, two payments of \$80 million were made to [REDACTED] in March 1986 out of [REDACTED] funds for which no liability for repayment was recorded.

SECTION 8: ~~REVIEW~~

## Background

- 8.1 We understand that the Group's banking relationship with [REDACTED] began in 1972 when it placed relatively large deposits with Sandstorm in Luxembourg and London. There is little tangible evidence of other business until 1976 at which time trade finance lines and shipping loans were opened by the Group. Even at this time the scale of the bank's lending to [REDACTED] was significant in relation to its capital base, and the relationship became one of interdependence. A summary of the history of [REDACTED] lending in relation to the capital base of Sandstorm is shown at Appendix L. There is evidence that [REDACTED] used this position as a lever to obtain short-term funding and repayment of non Sandstorm bank debt.
- 8.2 As a result of the large exposure guidelines imposed by the Bank of England in 1977, the accounts were moved to Grand Cayman, and in 1978 when it became apparent that [REDACTED] was in financial difficulty [REDACTED] and [REDACTED] took direct responsibility for the accounts. It appears that account manipulation began at this stage, and to this end a 'special duties' department was set up to oversee these accounts. This was a full-time occupation which involved the manufacture of documentation, inflation of account turnover, concealment of funds flow etc and involved some 750 accounts over a fifteen year period. Turnover in the period was some \$18 billion.
- 8.3 Management in collusion with [REDACTED] used sophisticated methods of deception to conceal funds flows including:
- use of [REDACTED] 'bank' accounts which received funds and then redistributed them around a number of accounts (particularly 1978 to 1983).
  - transfers between [REDACTED] locations in different parts of the world to create turnover and imply debt servicing, particularly just before year ends.
  - conduit accounts at external banks, under the control of Sandstorm officers (largely after 1985).
  - funds transfers through BCP and nostro accounts at various Sandstorm branches.
  - use of excessive interest and charges to provide profits.
- 8.4 The bank believed that the failure of [REDACTED] would have crystallised large losses which would have eroded the bank's capital base and put its very survival in doubt. To avert liquidation of [REDACTED], it would appear that Sandstorm worked very closely with [REDACTED] management to ensure that third party bank liabilities, many of which were rescheduled in 1984 to 1985, were met as they fell due.
- 8.5 By the early 1980's the position of the bank was so compromised by its reliance on [REDACTED] [REDACTED] that more complicated manipulation was necessary. This involved the use of external funds managed by Fork entities. In part this was achieved by loans drawn down in Fork with the funds routed to Sandstorm, with such loans being repaid by short-term offshore accounts being drawdown in Sandstorm. In addition Fork appears to have utilised certain external funds available to it. Such funding was most significant in the period 1984 to 1986.

### Analysis of funding

- 5.6 Bank employees working with [REDACTED] have now recreated a detailed analysis of the external funding utilised within [REDACTED] accounts as follows:

	Drawdowns \$m	Repayments \$m	Interest \$m	Outstandings 31/12/90 \$m
1981 - 1983	160	72	130	218
1984	222	•	13	235
1985	348	185	80	250
1986	300	237	97	160
1987	138	15	42	165
1988	63	15	23	71
1989	—	—	—	—
	<u>1,248</u>	<u>624</u>	<u>386</u>	<u>1,120</u>
Net drawdowns				

- 5.7 This analysis has not been capable of verification and must therefore be treated with caution, but gives an indication of the likely scale of manipulation of the exposure.

- 5.8 According to the bank's records the application of the net external funding (excluding interest) was as follows:

	\$m
Reduction in [REDACTED] liabilities to third parties	467
Reduction in [REDACTED] liability to Sandstorm	188
Liabilities of other borrowers to Sandstorm	—
	<u>723</u>
5.9 The routing of funds appears to have been through the following entities:	\$m
Sandstorm Affiliates	
BCP Zurich	228
BCP Luxembourg	164
BCC Grand Cayman	168
BCC London	57
BCCI Spain	32
NSC	25
Other	—
	<u>577</u>
Conduit accounts	203
Yet to be identified	—
	<u>210</u>
	<u>1,240</u>

5.10. As above analyses have yet to be substantiated but give a general outline of what appears to have transpired.

**Offshore accounts**

5.11. In more recent years the 'special duties' department were involved in fabricating information in respect of the 'offshore accounts'. This included the creation of profiles of the beneficial owners, financial information, false instruction letters etc. The relationship of these particular accounts with [REDACTED] was finally acknowledged by Sandstorm and [REDACTED] as a result of the task force investigation in early 1990 and [REDACTED] assumed responsibility for 73 offshore accounts with an exposure of \$264 million at 31 December 1989.



## SECTION B: WXYZ

## Background

- 6.1 It is alleged that Sandstorm has acquired a 50.6% interest, currently through eight nominees, in WXYZ the ultimate holding company of the First American Bank (FAB), the largest banking group in the Washington area with cross state banking licences to operate in seven states.
- 6.2 This interest appears to have been obtained through Sandstorm or its affiliated companies granting loans to certain prominent Middle Eastern individuals with which to subscribe for shares in WXYZ such that [REDACTED] or [REDACTED] indemnified the shareholders against any liability for the loans disbursed in their names, in return for which the shareholders gave Sandstorm, through a variety of share dealing and attorney arrangements, authority to buy and sell shares in WXYZ on their behalf. These indemnities were usually in the name of Fort.
- 6.3 The legality and effect of the various nominee and indemnity arrangements is clearly uncertain and a matter on which legal advice will need to be sought in order to ascertain the ultimate beneficial ownership, but preliminary legal opinion would suggest that the registered shareholders do appear to have been nominees.
- 6.4 Sandstorm's former management have represented to us that the arrangements were in the form of a 'merchant banking' transaction in that it always acted as a 'sleeping partner', at no time using any voting rights or exercising any controlling influence over the management of First American. This appears to have generally been the case although we have seen evidence to the effect that [REDACTED] was controlled by Clark Clifford in the recruitment of a senior executive for FAB, and certain other personnel issues.

## History of operations in the US

- 6.5 In the early years of its operation Sandstorm operated through a number of branches and agency operations. Management however perceived that if Sandstorm was to achieve the status of a global banking organisation in line with [REDACTED] vision, it needed subsidiary operations in the United States. To this end a number of unsuccessful attempts were made to acquire a bank in New York.
- 6.6 Through [REDACTED] contacts with Bert Lance, FAB, at that time FGB, was identified as a suitable acquisition target and in the period from 27 December 1977 to 10 February 1978 some one million shares in FGB, representing 18% of the ordinary capital were acquired on behalf of Sandstorm in the open market. Sandstorm contended that these shares were purchased on behalf of certain investors for whom it acted as investment advisor. We have, however, seen evidence to suggest that this was not the case and that the four investors were used to keep individual ownership below 5% and to ensure that Sandstorm's name did not appear.
- 6.7 The investors were:
- [REDACTED]  
[REDACTED]  
[REDACTED] (subsequently sold to [REDACTED])  
[REDACTED] (on behalf of [REDACTED] [REDACTED])

## Ownership of WXYZ

- 8.8 After various federal and state banking and regulatory approvals, agreements with the SEC and FCB, a tender offer for the remaining FCB shares was made by First American Corporation (FAC) on 2 March 1982, and control of FCB was secured by WXYZ.
- 8.9 The initial capital contribution into WXYZ (including the original investors' FCB shareholding) was \$150 million being 100,000 shares at \$1.500 each subscribed as follows:

No of Shares	\$ m	%
18,050	34.3	19.1
13,720	24.7	13.7
7,180	12.9	7.2
8,240	14.8	8.2
8,240	14.8	8.2
8,240	14.8	8.2
8,240	14.8	8.2
7,880	13.8	7.7
7,070	12.7	7.1
6,480	11.7	6.5
6,407	8.3	2.9
280	2.8	1.5
	1.8	0.9
	1.1	0.6
100,000	180.0	100

- 8.10 Since these initial subscriptions there have been a number of rights issues by WXYZ as set out below:

	No of Shares (1000's)	Price \$1000	Amount \$ m	Main purpose
02.03.82	Initial subscription	100.0	1.8	180
18.06.82	Rights issue	16.7	1.8	30 Class A shares
22.12.83	Rights issue	38.4	1.9	75 FAB, NY
25.07.86	Rights issue	67.7	2.2	150 NSB
17.06.87	Rights issue	47.3	2.4	116 NSB
18.07.89	Rights issue	18.0	2.8	50 Repay loan from [REDACTED]
	280.1		600	

As far as the eight shareholders who would appear to be nominees for Sarensberg or Sarek are concerned, almost all of their initial and subsequent purchases for capital issues have been funded by disbursements from Sarensberg. Most have been funded from the remaining XYZ accounts with a few, particularly in the early 1980's, from other accounts, including the Treasury pool accounts.

- 8.12 At 31 December 1990 of the fifteen registered shareholders, eight appear to hold their shares as nominees as follows:

	No of Shares	<u>  </u>	Loan sources
<b>Possible nominees:</b>			
[REDACTED]	[REDACTED]	[REDACTED]	170
[REDACTED]	[REDACTED]	[REDACTED]	244
[REDACTED]	[REDACTED]	[REDACTED]	210
[REDACTED]	[REDACTED]	[REDACTED]	451
[REDACTED]	[REDACTED]	[REDACTED]	79
[REDACTED]	[REDACTED]	[REDACTED]	180
[REDACTED]	[REDACTED]	[REDACTED]	133
[REDACTED]	[REDACTED]	[REDACTED]	0
[REDACTED]	[REDACTED]	[REDACTED]	1,417
<b>Other shareholders</b>			
[REDACTED]	[REDACTED]	[REDACTED]	32.1
[REDACTED]	[REDACTED]	[REDACTED]	32.1
[REDACTED]	[REDACTED]	[REDACTED]	100
Total issued shares	200,120		

- 8.13 The shares held by [REDACTED] represent the shares repurchased from [REDACTED] under the terms of a buy-back agreement nominally with [REDACTED] and guaranteed by Sarensberg Overseas. This repurchase was effected through payments to [REDACTED] in October 1989 and June 1990 totalling approximately \$180 million, funded by [REDACTED] from various sources.

8.14 The amounts having been paid, although in consideration for shares, were debited to new loan accounts in [REDACTED]'s name. Given the method by which this recourse was effected, there is considerable uncertainty as to the beneficial ownership of the shares in WXYZ registered in the name of [REDACTED] although we understand that steps have been initiated to transfer the shares to the Department of Private Affairs as compensation for a placement absorbed into Treasury some years ago.

8.15 The above loan balance reconciles to the amounts taken over by Company A as follows:

	\$ m
Loans as above	1,417
[REDACTED]	18
WXYZ Debenture	18
Total to be assigned to Company A	1,450

#### Nominee arrangements

8.16 The evidence of the nominee relationships varies but typically includes one or more of the following:

- Hold harmless letters
- Signed but blank share transfer
- Signed but undated and blank promissory notes
- Share deposit agreements
- Letters or agreements governing the description of WXYZ shares
- Powers of Attorney
- Agreements covering the payment of fees to shareholders.

8.17 These documents are often in the name of Fork Overseas or Holdings, albeit sometimes signed by [REDACTED]. The effect of these arrangements essentially appears to be that the account holders were indemnified against any liability for the loans but have no entitlement to any profits accruing from the underlying investment in WXYZ.

8.18 The nominee shareholders appear to have received fees in respect of their services, only some of which we have been able to trace:

[REDACTED]	\$100,000	pa	1988 - 1990
	\$808,000		on 23 August 1990
[REDACTED]	\$300,000		on 5 August 1988
	\$341,000	pa	In 1988 - 1990
[REDACTED]	\$500,000		In August 1988
	\$390,000	pa	In 1988 - 1990
	\$111,000	pa	In 1988 - 1990
	\$42,000		In 1990
[REDACTED]	\$1 to \$2 million pa for use of his name for Treasury trading purposes (uncorroborated)		
	\$18 million in July 1987 (Source not identified)		
[REDACTED]	\$1 million pa In 1988 - 1990 (uncorroborated)		

- 6.19 In addition, payments of \$15.8 million and \$6.8 million respectively were paid to [REDACTED] and [REDACTED], supposedly in consideration for their original subscription of shares in WXYZ plus rolled up interest, notwithstanding that the shares continued to be registered in their names.

**Use of WXYZ accounts for other purposes**

- 6.20 Sandstorm management have used the security offered by the investment in WXYZ as a means to:
- (1) disburse funds for totally unrelated purposes, in particular to adjust unrelated loan accounts to avoid the need to book provisions.
  - (2) generate substantial amounts of fictitious income to enhance Sandstorm's reported profits.
- 6.21 This has been facilitated by the fact that the investment has increased in value over time, allowing capacity for extra loan drawdowns made possible because the account holders were indemnified against any liability for the loans. In addition a substantial number of new shares were issued by way of rights issues at net asset value thereby providing excess borrowing capacity, which was also utilised for other purposes.
- 6.22 The total amount of loans, supposedly secured on the shares of WXYZ, at 29 December 1990, the effective date at which they were transferred to Company A by means of a sub-participation agreement concluded on 22 May 1997 of £1.25 billion, noted above, was made up as follows:

	£ m
Equity capital subscriptions relating to nominee shareholders	367
Other WXYZ capital contributions	39
	—
	346
	—
Servicing of non WXYZ loan accounts	599
Servicing interest on external borrowings	57
Other disbursements	99
Less: receipts from non WXYZ accounts	(214)
	—
	531
	—
	—
Interest and account charges	673
	—
	—
Total	1,460
	—

6.23 As far as the WXYZ exposures were concerned, by virtue of the nominee arrangements and the fact that Sandstorm held signed share deposit agreements and transfer deeds, the shares in WXYZ were regarded as a pool of security with frequent informal cross securing of security, again supporting the view that the shares were held in a nominee capacity.

6.24 Non WXYZ disbursements may be analysed by borrower as follows:

	\$ m
[REDACTED]	18.5
[REDACTED]	161.4
[REDACTED]	206.0
[REDACTED]	130.5
[REDACTED]	47.0
[REDACTED]	26.0
[REDACTED]	12.0
	<u>1.0</u>
	<u>599.4</u>

6.25 These were disbursed as follows:

	\$ m	Borrower
Adjustment of non WXYZ accounts	June 1985	Various
Repayment of [REDACTED] loan	Sept 1980	[REDACTED]
Repayment of [REDACTED] loan	Oct 1980	[REDACTED]
Repayment of [REDACTED] loan	Oct 1980	[REDACTED]
Repayment of [REDACTED] loan	Oct 1980	[REDACTED]
Various	4	
	<u>599</u>	

6.26 The adjustments in 1985 occurred in the period 25 - 28 June when amounts totalling \$181 million drawn down in the names of [REDACTED], [REDACTED], [REDACTED], [REDACTED] and [REDACTED] together with additional amounts drawn down in the accounts of [REDACTED] (\$25 million), [REDACTED] (\$10 million) and [REDACTED] (\$5 million), were paid to [REDACTED] (\$89 million) to adjust a number of [REDACTED] accounts and to [REDACTED] (\$142 million) to adjust various Treasury pool accounts. Notwithstanding that these drawdowns had nothing to do with the borrowers concerned, confirmation letters of account balances continued to be received by us as auditors.

- 6.27 In September/October 1980 four loans totalling \$464 million were drawn down in the names of certain of the WXYZ borrowers to repay four loans previously granted by [REDACTED] to Sandstorm Overseas which had not been properly authorised. These were not recorded in the books but had been used to service various Sandstorm loan accounts between July 1980 and April 1980. They were in part secured on 20% of the shares in WXYZ and cash collateral placed with [REDACTED]. Notwithstanding that the funds placed with [REDACTED] were there as security for these loans, Sandstorm management represented to us that these were bona fide bank placements, which were confirmed as such to us by [REDACTED]. The collusion of [REDACTED] and its owner [REDACTED] in the fraud perpetrated on Sandstorm appears to have been a major factor in allowing it to go undetected.

#### Interest and charges

- 6.28 Interest was levied on the accounts at broadly commercial rates (1.5% to 2.0% over US\$ LIBOR) and in addition, to boost income further, significant management charges and fees were also levied. These totalled some \$150 million in the eight years to 31 December 1989, and to give the appearance that the nominee shareholders were agreeable to the charges, letters drafted by Imran Imam, indicating acceptance were periodically obtained and provided to the auditors.

- 6.29 The total income booked in respect of the WXYZ loan accounts was \$573 million and is a material sum to Sandstorm's purported profitability over the last decade. If it is found that the bank does have a beneficial interest in these [REDACTED], classification of the balances as loans, and advances would not be appropriate and alternative accounting treatment would be required.

#### Sandstorm Personnel

- 6.30 Control over the WXYZ accounts was exercised by [REDACTED] from London, who determined the uses to which the various loan accounts were put. [REDACTED] informs us that it was not until 1985 that these accounts were manipulated for other purposes.
- 6.31 [REDACTED] was initially assisted by [REDACTED] and, from [REDACTED], Mr [REDACTED] who exercised control over the accounts on a day to day basis and initiated many of the fraudulent transfers of funds and book entries. In addition because of Fork's involvement in the nominee relationships and frequent transfers of loan balances between Sandstorm and Fork, Mr [REDACTED] was closely involved. Otherwise, there is no clear evidence that the other staff who were involved in giving or receiving instructions, were aware of the true nature of the accounts or Sandstorm's relationship with the account holders.
- 6.32 Generally the borrowers provided audit confirmations however it is now clear that hold harmless letters were also despatched, and that there was an orchestrated attempt by the senior management of Sandstorm, with the collusion of major customers and a third party bank, to deceive the auditors.

**SECTION 7: UNREGISTERED DEPOSITS - TUMBLEWEED AND OTHERS**

**Tumbleweed**

- 7.1 Sandstorm's relationship with Tumbleweed dates back to the late 1970's when inter bank acceptances were taken by Overseas' Egyptian branches. When in 1982 Overseas set up branches to the newly formed affiliate, BCC Misr, the sale did not include the transfer of Tumbleweed deposits of \$171 million as its size would have given local capital acceptancy problems and because Tumbleweed wanted more confidentiality. Accordingly, the placements were transferred to Grand Cayman, although the customer relationship continued to be maintained by BCC Misr. The dealing operation in relation to Tumbleweed was performed at BCC Misr by an employee of Overseas, with transactions notified to London who determined the accounting to be effected in Grand Cayman.
- 7.2 The nature of these transactions was formalised in 1983 when a contract between Tumbleweed and Overseas was signed stating that these funds were to be invested in commodities in accordance with Islamic Law. Although prices for spot purchase and forward sale of commodities are always quoted on each deal we have seen no evidence to suggest that the bank actually entered any commodity contracts. Yields equate to term deposits.
- 7.3 We are told that there is an understanding between Sandstorm and Tumbleweed such that Tumbleweed needs to withdraw funds at short notice it can do so interest free without breaking a deposit. At a later date Tumbleweed will reciprocate by placing an equal amount interest free for the same period. This agreement was apparently particularly beneficial to Tumbleweed in the Egyptian banking crisis in 1989 when two \$20 million interest free accounts were made and the Group arranged shipment of dollars to Egypt to enable Tumbleweed to meet its customers needs.
- 7.4 Although the banking relationship is still maintained by BCC Misr the account has been controlled, since the resignation of [REDACTED] by [REDACTED] central team. Since 1988 the bank have employed [REDACTED] as a consultant at a retainer of \$75,000 per annum paid through Fork.
- 7.5 From the time that the account was transferred to Grand Cayman in 1982 it appears that all funds from Tumbleweed passed through the Treasury pool accounts and were an integral part of the manipulation of funds within Treasury up to the resignation of [REDACTED] in February 1988. Over this period interest paid to Tumbleweed on its placements was not expensed but instead debited to the same pool accounts. From 1 March 1988 separate pool accounts for all Tumbleweed transactions were established, although as previously, interest continued to be debited to the pool account rather than the profit and loss account.
- 7.6 Initially on the closure of the Treasury pool account it appears that an attempt was made to reinstate Tumbleweed's deposits, and \$100 million was injected into the Tumbleweed account in August 1988 (from funds under management with Fork), although within a few months these funds had again been utilised to service loans and make certain payments, as follows:

<b>Fork Holdings</b>	<b>servicing of loans via SCP, Fork and SDCC; and payment of interest on borrowings from [REDACTED] and [REDACTED] in connection with repurchase of shares from [REDACTED]</b>	<b>70</b>
[REDACTED]	[REDACTED] SDCC	[REDACTED] 32
[REDACTED]	[REDACTED]	[REDACTED] 18
<b>Repayment of a [REDACTED] WXYZ related loan</b>		<b>30</b>
<b>Repayment of CD's of Fork and Emirates 'utilised' by Treasury</b>		<b>14</b>
<b>Untraced items</b>		<b>38</b>
		<b>189</b>

7.7 In reviewing the Tumbleweed pool account, [REDACTED] noted a number of payments to reinstate otherwise unrecorded deposits as follows:

[REDACTED]	53
[REDACTED]	18
[REDACTED]	25
[REDACTED]	5
[REDACTED]	2

7.8 The balance on the Tumbleweed account in the books of Grand Cayman has since 1986 fluctuated between \$100 million overdrawn and \$50 million in credit. We have been told that the account was manipulated to ensure that the balance was zero or insignificant at 30 September and generally at 31 December each year in order to avoid it being chosen for confirmation by the external auditors. This was the case in 1986, 1987 and 1989. In 1988 a balance of \$11.3 million debit was circularised and confirmed by Tumbleweed; but this had again been manipulated to equal an interest free placement Sandstorm had made as part of the back-to-back arrangements.

7.9 In analysing the transactions between Sandstorm and Tumbleweed over the last eight years we have reviewed over 3,000 transactions and agreed them to deal slips or telex confirmations. In addition, of the supposed 37 outstanding deals at 27 September 1990 confirmed to Mr [REDACTED] we have traced 85% by value to the original receipt of funds or the list of deals transferred at 31 October 1992.

ANSWER: There are unusual features about the Tumbleweed account - 4 accounts from the Tumbleweed financial statements that some 23% of its total assets are stated with Sandstorm, and some \$170 million relates back to pre-1982. It does appear that there is a significant liability to Tumbleweed which has not been recorded in the books. We have never received confirmation from Tumbleweed of outstanding transactions at 31 December 1990 totalling \$358 million in US Dollars not recorded in the books and \$39 million in other currencies which are recorded in the books.

[REDACTED]

- 7.11 [REDACTED] and his company, [REDACTED] have been long standing customers of Sandstorm since 1982. The relationship has been managed by Bahrain branch although the funds were booked in Grand Cayman, and instructions to roll-over or repay deposits have usually been sent directly from [REDACTED] to London (which entity).
- 7.12 Prior to March 1986 [REDACTED] deposits appear to have been credited to the Treasury pool account. When recalled both principal and interest were debited to the pool account. It would appear that the liability for such deposits was extinguished with the exception of three deposits, which were re-created in Grand Cayman in June 1986 following [REDACTED] resignation and the closure of the Treasury pool account. The re-creation of these deposits totalling approximately \$82 million appears to have been achieved by using funds managed by Fork Investments.
- 7.13 These accounts were rolled over and properly accounted for from June 1986 until September 1987 when \$85 million was transferred to [REDACTED] and then onto Grand Cayman; \$56 million was used to repay a bogus loan in [REDACTED] name which has been used to repay borrowings from Fork crownstown in an attempt to reinstate the Tumbleweed accounts. The remaining \$3 million was part of an amount of \$12 million credited to the Tumbleweed account to reduce the account balance at 30 September 1987. Having utilised these deposits certain part payments to [REDACTED] in November 1987 had to be funded by the creation of overdraft accounts in Grand Cayman which were subsequently repaid by funds from Fork entities.
- 7.14 At 31 December 1990 the balances on the three accounts in question were:

	\$ m	Maturity
Term deposit 1	18.7	18.8.91
Term deposit 2	27.3	08.1.91
Term deposit 3	8.5	08.3.91
	<hr/>	<hr/>
	82.5	<hr/>

- 7.15 [All were rolled over] on maturity, and have now been confirmed by the customer.

**Miscellaneous unrecorded deposits**

- 7.16 The remainder of the unrecorded deposits referred to us by Mr [REDACTED] are made up as follows:

[REDACTED]	10.4
[REDACTED]	16.6
<b>BCP Luxembourg</b>	8.6
[REDACTED]	8.3
[REDACTED]	0.2
<hr/>	
	<b>42.1</b>
<hr/>	

- 7.17 This account purportedly relates to a deposit in Bahrain by [REDACTED] in April 1989 the funds being received from [REDACTED], which was subsequently transferred to an account at SCP Geneva via First American. [Account holder unknown]. A further \$1.2 million was transferred for an unknown purpose to [REDACTED] and Caicos Company, [REDACTED] [REDACTED], controlled by [REDACTED] of Fork.
- 7.18 As yet we have been unable to establish whether the bank has an unrecorded liability in respect of these transactions.

- 7.19 This potential liability appears to relate to a liability of Fork (Overseas) to [REDACTED] in respect of certain repo transactions. In total through a complicated series of transactions \$35 million, apparently sourced from [REDACTED] (\$15 million), as above, and Tumbleweed (\$20 million), passed through SDCC to KIFCO (\$10 million) and a Fork routing account at [REDACTED] (\$25 million), and has most probably been used for loan servicing.

- 7.20 Whilst there appears to be a liability to [REDACTED] it is by no means clear whether it is a liability of Sandstorm or Fork.

**BCP Luxembourg**

- 7.21 This amount relates to an overdrawn account in the name of Fork Overseas, which despite its name appears to have been used as a 'pooling' account within the Sandstorm Group.

The balance thus relates to unfunded utilisations:

<del>██████████</del>	funds transferred to reduce loans at Fork Overseas	2.0
ISU:	funds used to repay a deposit of █████ accepted by ISU and placed with Fork Holdings	8.0
Fork account 500 at █████:	funds transferred to Fork Holdings and subsequently routed to █████ █████ apparently to service loans in the name of █████	2.0
Interest:		0.8

7.23 Again whilst it is clear that funds from the ECP account has been 'utilised' for unauthorised purposes it is by no means clear whether the liability is solely that of Sandstorm.

7.24 This amount relates to a deposit by █████ in Bahrain, which was 'utilised' for other purposes. Although the amount was subsequently reinstated this was done using funds from Fork's pool account 500 with █████, hence it appears that if there is any unrecorded liability it is to Fork.

7.25 This is another Bahrain deposit which was 'utilised' for other purposes.

**SECTION 8: UNRECORDED DEPOSITS - ISLAMIC BANKING****Introduction**

- 8.1** Sandstorm SA would seem to have commenced Islamic banking activities in its UK Region on behalf of certain Islamic customers in June 1984. Initial activity is believed to have been low building to a level of around \$[50] million at the time that the current records commenced in May 1988. Thereafter volumes grew significantly and from 1 January 1990 all these transactions have been routed through a separate Islamic Banking Unit ("IBU"). At its peak of activity at the end of 1989 amounts placed with IBU by Islamic customers for Islamic investment transactions totalled some \$1.4 billion equivalent in seven different currencies.
- 8.2** The most common type of Islamic banking instrument is a Murabaha deal. This involves the purchase of a commodity and the immediate sale of that commodity with deferred receipt of the sale proceeds for a period determined by the Islamic customer. This eliminates any risk pertaining to holding the commodity and leaves the cost of the deferred payment to generate a higher selling price than purchase price. Not surprisingly the mark up usually bears a close relationship to prevailing interest rates. There is a risk to the Islamic customer that the counterparty will not pay on the due date, however it seems common practice for the Islamic customer to seek to avoid this as well by obtaining a bank guarantee/letter of credit securing the recovery of funds.

**Sandstorm's approach to Islamic banking**

- 8.3** All funds received by Sandstorm SA from Islamic customers for investment purposes are applied in the manner outlined above with Sandstorm acting as agent and for the vast majority of transactions the necessary guarantee is provided by Sandstorm SA. By issuing a guarantee Sandstorm inherits the risk of counterparty failure. To avoid this Sandstorm undertakes two further commodity deals, the mirror image of those undertaken on behalf of the Islamic customer, thus cancelling the forward sale transactions with forward purchase transactions. The resulting free funds are then on placed within the BCC Group, affiliated entities or on the money markets to earn a rate of interest at least equal to the guaranteed mark-up for the period of the original deferred payment period.
- 8.4** The effect of Sandstorm's own commodity deals and on placement of funds can give the impression that the whole transaction is no more than one of taking deposits from these Islamic customers, but this is not the case. In respect of the Islamic customer Sandstorm has acted as Investment manager. As principal it has issued a guarantee and covered the risk by entering into its own contracts with brokers and making matching placements. Problems have arisen however on the accounting for transactions undertaken by Sandstorm as principal.

**Funds placed outside the BCC Group**

- 8.5** The majority of funds on placed by IBU went to Sandstorm (Overseas) in Grand Cayman or branches within UK Region. However, between 1988 and 1990 funds were on placed by UK Region with other affiliated Sandstorm entities.

- 8.6 UK management initially informed us that all these other placements were done with Fork (Overseas). By reference to instructions from [REDACTED] regarding an overall level of placements identified for this institution of some \$80 to \$100 million. There is however no written evidence relating to this instruction. We have established that placements were also made into accounts controlled either by Fork Holdings, or BCC Bahrain, on behalf of Fork Holdings. UK management say that they were not aware of this. The accounts in question are represented by Mr [REDACTED] to be Fork Holdings client accounts, albeit under the control of [REDACTED].
- 8.7 The following amounts were received from Islamic customers and on placed by UK Region with Fork (Overseas), Fork Holdings and BCC Bahrain at 31 December 1989 and 31 December 1990:

	31 December 1989	31 December 1990
	\$'000	\$'000
Fork (Overseas)	46,802	[REDACTED]
Fork Holdings	50,485	6/8
BCC Bahrain for Fork Holdings	<u>30,000</u>	<u>2/1</u>
Total	126,987	84,451

- Funds placed with Fork (Overseas)

Placements with Fork (Overseas) outstanding at 31 December 1989, were done through the transfer of funds from a UK Region nostro account to a number of accounts held by Fork (Overseas) at BCC Grand Cayman. Although no confirmation was received from Fork (Overseas) when the funds were placed, Sandstorm SA UK Region notified this institution of the transfer of funds and terms of the placements.

- Funds placed with Fork Holdings

The make up of the funds received from Islamic customers which were supposedly placed with Fork Holdings, with interest to 31 December 1990, were as follows:

	Placement date	\$ m
[REDACTED]	16.1.90	10.0
Interest		0.8
		<u>10.8</u>

39.1.90	5.3
28.3.90	3.5
07.3.90	2.8
13.3.90	3.3
13.3.90	5.1
28.3.90	4.8
Interest	2.1
<hr/>	
	32.3
<hr/>	

27.12.89	10.0
01.3.90	30.0 (Note)
Interest	2.4
<hr/>	
	42.4
<hr/>	
	84.5
<hr/>	

Note: This amount was on-lent with BCC Bahrain and subsequently on-lent to Fork Holdings via BCP Luxembourg.

Amounts placed with Fork Holdings were initially made in December 1989 for the credit of an account number 101458.500 at [REDACTED]. This is a client account belonging to Fork Holdings.

Further amounts totalling \$35.4 million were placed through this account in January 1990 and March 1990. We understand that no further funds were placed via this account after March 1990.

UK Region did not confirm these placements with Fork Holdings or receive any confirmations from them.

Fork Holdings defaulted on the repayment of all placements due in May 1990, June 1990 and October 1990. The original Islamic Investments to which these placements were matched were repaid by UK Region to [REDACTED], [REDACTED] and [REDACTED] on the appropriate due dates. Total funds outstanding as a result of the non repayment from Fork Holdings (principal plus interest) amounted to \$[84]million at 31 December 1990. We understand that these amounts have not been repaid by Fork Holdings to date.

- Funds placed with BCC Bahrain

Three deposits of \$10 million each which were placed via BCC Bahrain in March 1990. These amounts were rolled over monthly to match the monthly roll over of the underlying Islamic investment. However, when repayment was called in October 1990 the funds were not forthcoming. Once again the original Islamic investment was repaid forthwith. Total funds of \$ [ ] million remains outstanding to Sandstorm SA UK

Region at 31 December 1989. We understand these amounts have not been receipted to date.

- 8.8 The inappropriateness of the on placements to Fork (Holdings) and BCC Banca is emphasised by the fact that the manager of ISU [REDACTED] withheld or manipulated all third party confirmations from Islamic customers relating to these transactions from the external auditors at the time of the 31 December 1989 audit of UK Region. A total value of \$60.5 million. The [REDACTED] informs us that he had no knowledge of this and that [REDACTED] must have been clearly taking instructions from [REDACTED].

#### Application of certain on placements

- 8.9 Funds on placed to BCC Grand Cayman or Fork (Overseas) were usually put in a deposit account in the name of the original Islamic customer who had provided the funds for investment. In some cases however it seems that the on placements with Grand Cayman were made into deposit accounts of certain third party customers. Those deposit accounts were then held out to be the deposit security for certain loans made to these third party customers. In the two instances that have been identified the third party who "benefited" from this deception was the [REDACTED] with false loan security of \$ 17 million.

#### Destination of Funds

- 8.10 The amount of \$30 million on-placed with BCC Banca is believed to have been transferred to an account with [REDACTED]; (and then probably onwards to [REDACTED] account 500). Otherwise all the other amounts were received into the [REDACTED] account 500 in the name of Fork Holdings and we have confirmed this by reference to bank statements. This is one of the accounts under the control of [REDACTED] and his central team used for the purposes of fraudulently routing funds.
- 8.11 Mr [REDACTED] of Fork acknowledges that the funds were received through the [REDACTED] account of Fork Holdings but as they were then routed back to Sandstorm or elsewhere on the instructions of Mr [REDACTED], he does not believe that Fork has any liability to Sandstorm UK Region in respect of these amounts placed by ISU.

8.12 The funds appear to have then been utilised by [REDACTED] and his team as follows:

[REDACTED] amount used as repayment  
in January 1990 of a \$5.5 million loan  
in the name of [REDACTED] in connection  
with WXYZ.

5.8

Interest on nominee loans at [REDACTED] in the  
names of [REDACTED]

0.4  
0.1

12.5

These loans were secured by a placement from  
Sandstorm with [REDACTED] and relate to the  
financing of WXYZ shares.

Purchase of shares from Fork Foundation and  
Fork Staff Benefit Fund in the name of  
[REDACTED] as nominees...

4.0

Transferred via Fork and SCP to Bahrain to  
repay interest and principal on unrecorded  
deposits.

4.0  
1.2  
2.1

7.3

Various servicing of loans within SCP  
and Fork (not yet corroborated).

7.7

SDCC (purpose as yet unknown).

10.8

[REDACTED] - apparently transferred via  
[REDACTED] and [REDACTED] in March 1989  
(not yet corroborated).

11.8

[REDACTED] - loan servicing of account in  
Sandstorm Cyprus in March 1989.

3.0

Balance - used generally in [REDACTED] 500 account  
pool utilised by Sandstorm and Fork.

17.8

81.2

### Accounting for Islamic banking transactions

- 8.13 Prior to August 1990, UK Region accounted for all aspects of the Islamic commodity investments as if they acted as agent and therefore no part of the series of transactions was reflected on balance sheet. The on placements to Grand Cayman, UK Region and Fork (Overseas) were reflected in the accounts of those entities as third party deposits rather than intra group deposits.
- 8.14 Since however certain parts of the series of transactions are actually originated by Sandstorm, namely its own commodity deals and on placement of funds, the appropriate accounting treatment is to reflect a due to brokers credit balance and a placement debit balance.
- 8.15 In Sandstorm SA's accounts for the year ended 31 December 1989 the appropriate accounting treatment was reflected for known Islamic investments on placed in Grand Cayman, UK and Fork (Overseas). However this was not the case in the UK Region's own financial records and returns.
- 8.16 Since August 1990 UK Region have reflected credit and debit balances in respect of Islamic banking transactions on placed to the above locations although the credit has been identified as a deposit rather than a due to brokers.

### ~~Disclosure in the Prudential Returns~~

#### Prior to August 1990

- 8.17 As a consequence of UK Region's accounting policy which treated all aspects of Islamic banking as off-balance sheet except for funds on placed to UK Region, the prudential returns submitted by UK Region to the Bank of England during this period showed a significant understatement of assets and liabilities. At 31 December 1989 for example assets were understated by \$ 802.4 million due from banks and liabilities understated by \$802 million due to brokers, although as noted above adjustment was made in the legal accounts of Sandstorm SA. In addition \$178.3 million of deposits should have been classified as due to brokers (being amounts received and used within the UK Region itself).

#### From August 1990

- 8.18 In August 1990, at our balance management decided to transfer the entire portfolio of investments from Islamic customers into the books of UK Region except for investments which were actually held by brokers and guaranteed by third party standby letters of credit (ie genuinely off-balance sheet). In practice this still excluded the transactions that had been on placed with Fork Holdings and BCC Bahrain and two other amounts on placed with [REDACTED] London and [REDACTED] London. The impact on the prudential returns was a continuing but smaller understatement of assets and liabilities which at 31 December 1990 amounted to \$ 108.8 million and a misclassification of \$ 441.4 million as deposits rather than due to brokers at the same date. In addition, because of their classification as deposits the Islamic customers with the four largest aggregate investments were also disclosed in the B7 return as depositors with more than 5% of total deposits.

- 8.16 The amounts placed with Fork Holdings and BCC Bahrain amounting to \$34.5 million at 31 December 1990 were correctly reflected in the books of UK Region from 27 March 1991. Funds totalling \$ 22.5 million placed with two other institutions noted above are still not reflected in the books of UK Region.

#### Accounting for the shortfall in repayment of placements

- 8.20 The accounting adopted for the shortfall of funds was even more inappropriate. Rather than recognising a debt from Fork (Holdings), UK Region used loan accounts opened for [REDACTED] and [REDACTED] to "disguise" the recording of amounts due from Fork Holdings. As a result, credit facilities and relevant loan accounts authorised by BCC Central Credit Committee for these banks were effectively used by UK Region for purposes other than for those for which they were actually approved.

- 8.21 To "disguise" the amounts due from BCC Bahrain a loan account in the name of [REDACTED] was opened by UK Region in September 1990 to record investments repaid by UK Region to this customer but not recovered from BCC Bahrain. This credit facility for [REDACTED] was not authorised by BCC Central Credit Committee.

- 8.22 The loan accounts were then subsequently adjusted by crediting them with new funds received from the same Islamic customers up to the amount of the shortfall, rather than crediting these new funds to the liabilities side of the balance sheet, thereby, falsely understating assets and liabilities.

#### Disclosure in the Prudential Returns

- 8.23 The impact of these accounting entries on the amounts disclosed in the prudential returns was an understatement of both assets and liabilities. At 31 December 1990 assets should have included a sundry debtor for \$ 34.5 million being the amounts due from Fork Holdings, and liabilities a due to brokers of a similar amount, although the recoverability from Fork is uncertain.

- 8.24 Those Islamic investments shown in the 87 return as large deposits, whilst not correctly classified as deposits, would also have been understated by a total of \$ 34.5 million.

#### Management control

- 8.25 The extent of the errors and deceptions raises enormous concerns about how management control over the Islamic activities was exercised.

- 8.26 ISU is and has been under the executive control of [REDACTED] for some considerable time even before he became regional general manager. His knowledge or lack of knowledge as to the events outlined above demonstrates a lack of effective management with respect to this area of business.

- 8.27 With respect to the placement of funds with Fork Holdings and BCC Bahrain, [REDACTED] represents that he was acting under instruction from [REDACTED]. There is however no documentation supporting instructions given by [REDACTED] or instructions given by [REDACTED] to ISU. Furthermore, [REDACTED] represents that at the time of the transactions he was led to believe by [REDACTED] and others that the funds were being placed with Fork (Overseas). There is however no documentation supporting notification by UK Region to Fork (Overseas) or any other entity in respect of funds placed through BCC Bahrain and [REDACTED]. The only documentation available, according to UK Region management, is a memorandum sent by Mr [REDACTED] to Mr [REDACTED] (Fork Foundation, based at 100 Leadenhall Street) outlining details of the funds so placed. [REDACTED] claims that the routing of placements (e.g. through Grand Cayman, BCC Bahrain, [REDACTED]) was determined and notified by [REDACTED] or Mr [REDACTED]. However, there is no written evidence to support this statement.
- 8.28 Mr [REDACTED] represents that he is seeking recovery of the debt from BCC Central office in Abu Dhabi. With respect to the misuse of on placements as security for third party loans and advances [REDACTED] represents that he had no knowledge of this until it was recently identified and that the manager of ISU must have acted under direct instruction probably from Mr [REDACTED], the account officer for [REDACTED].
- 8.29 In relation to the general accounting for these transactions [REDACTED] has now recognised that the original accounting treatment was incorrect; although it should be noted that the bank placed reliance for some time on legal advice that lent support to their earlier practice. However the precise accounting classification for Islamic transactions that have been outlined above still need to be adopted.
- 8.30 With respect to the accounting practices adopted to cover up the non repayment of certain 'on placements' [REDACTED] acknowledges that this was inappropriate but represents that whilst against his better judgement he was again acting under instruction from [REDACTED]. The knowledge of other members of the UK Management Committee with respect to these transactions is unclear, but it seems unlikely that these entries went unnoticed by the UK Region's credit department.

#### Conclusion

- 8.31 From a customers point of view all Islamic Investment transactions have been properly executed and funds repaid on the due date. UK Region's approach to covering its own guarantee risk whilst acceptable was not adequately researched from an accounting view point and was misguided with respect to where funds were ultimately placed.
- 8.32 The resulting catalogue of errors with regard to the non repayment of some placements and the misuse of other placements as security reflects at the very least a lack of any proper independent management control in UK Region. The accounting adopted for the non repayment is indefensible and lends weight to the conclusion that UK management have acted irresponsibly in allowing the events outlined above to occur. Whether UK management and particularly [REDACTED] and Mr [REDACTED] have acted in good faith under instruction from senior officers within BCC Group has been impossible to determine but it is difficult to imagine that every transaction could go through unchallenged by them.

SANDSTORM

APPENDIX I

HISTORY OF ~~RECORDING~~ EXPOSURE

		Recorded Balance sheet Exposure \$ m	Sandstorm Consolidated Capital \$ m
31 December	1977	80	113
	1978	110	171
	1979	180	228
	1980	183	282
	1981	284	482
	1982	221	641
	1983	211	828
	1984	185	1,039
	1985	246	1,180
	1986	570	1,308
	1987	437	1,469
	1988	537	1,417
	1989	706	1,075



*Price Waterhouse*

44

4 July 1991

REVIEW AND CONFIRMATION

Bank of England  
Threadneedle Street  
London  
EC2R 8AH

For the attention of Mr S. Lunn

Dear Sirs,

**DRAFT REPORT ON SANCTSTORM SA UNDER § 41 OF THE BANKING ACT 1987**

At our meeting yesterday with the Deputy Governor you requested that we should provide you with confirmation of the status of the draft report sent under our covering letter of 22 June 1991 to Mr J. Gartrell.

As we have already explained, the document was a draft provided in order to check whether in your view the scope of our work needed to be expanded. It summarises the results of examination of a large volume of files and records held personally by [REDACTED] and previously concealed from us, which have now provided evidence of the fraudulent nature of the problem transactions discovered by us and first reported to you early last year. These files revealed widespread fraud and manipulation of accounting records conducted in collusion with [REDACTED]

Our draft report is also based on the review of banking records from several locations and interviews conducted over a number of months. The findings are inevitably based on incomplete information and, moreover, certain details and their interrelationship have not been corroborated.

Additional work has been carried out since 22 June which has a bearing on some of the total. We have, however, not been able to complete our verification procedures, nor, having summarised the information gathered, to re-interview past and present management to ensure that our interpretation of individual transactions is appropriate. Accordingly, we are not able to fully support the detailed information provided in the draft report nor to confirm its completeness. However, we believe that the report reflects the general scale and complexity of the deception and falsification which have undoubtedly taken place over many years.

3 July 1981  
Bank of England  
Page 2.

We understand that the background to the principal matters in our draft was known to [REDACTED]  
[REDACTED] in April 1980.

The draft report has not been discussed with either Sanderson or the controlling shareholders who are unaware that our draft report has been delivered to you.

Yours faithfully,

Pete Wickens

MINUTES OF THE MEETING WITH PRICE WATERHOUSEON 14 JANUARY 19881. GRP

- 1.1 Confirmation required as to when the fee of US\$11.0M was debited to the deposit account of the proceeds of the sale of NBGFC.
- 1.2 In reply to his enquiry, Mr. Chapman was informed that GRP did not borrow US\$29.0M from us to invest in Eurotunnel.
- 1.3 Audited balance sheets for 1986 of the following companies to be provided to P.W.:
  - (a) Pharak Holdings Ltd
  - (b) Interbulk Transport Co.
  - (c) Sobek International
- 1.4 Mr. Chapman insisted on the payment of interest and loan fees on all loans by the end of February 1988.
- 1.5 The total loans outstanding should either be brought within the approved limit, or in case EOL remains outstanding should be supported by additional securities.
- 1.6 EOL as at 31.12.1987 was US\$39.0M compared to US\$22.0M as at 31.12.1986

2. CCAH

- (a) PW have requested for a complete list of shareholders as at 31 December 1987.
- (b) Are there any agreements amongst the shareholders re: shares to be held as security for borrowing by third parties?

: 2 :

2. CCAH (contd)

- (c) Valuation of the shares as at 30 September 1987 and 31 December 1987.

2.1 MASHRIQ HOLDING CO./RULER OF FUJEIRA

- 2.1.1 EOL as at 31.12.87 was US\$124.0M compared to US\$101.0M as at 31.12.86

- 2.1.2 It was noted by PW that total amount of US\$8.0M received in the loan accounts in Cayman and Luxembourg, does not service the interest accrued during the year.

2.2 MESSRS CLIFFORD AND ALTMAN

- 2.2.1 Payments received during 1987 did not service the interest accrued. Are additional funds expected?

2.3 FSF

- 2.3.1 EOL to be reduced by end of February 1988.

2.4 ARK

- 2.4.1 Shares under transfer to be transferred to secure the loan.

- 2.4.2 Memorandum of Deposit of Stocks and Shares to be signed by the borrower.

5.5.2 The loan loss provision has increased during 1985 as follows:

	1985 \$m	1984 \$m
Balance at beginning of year	88.3	66.5
Charge for the year	35.0	27.0
	<hr/>	<hr/>
	123.3	93.5
Write offs and exchange movements	( 7.4)	( 5.2)
	<hr/>	<hr/>
Balance at end of year	\$ 115.9	\$ 88.3
	<hr/>	<hr/>
Gross loan portfolio	\$2,304.3	\$1,757.6
	<hr/>	<hr/>
Provision as a percentage of gross loans	5.03%	5.02%
	<hr/>	<hr/>

5.5.3 The loan loss provision as a percentage of gross loans has been maintained at virtually the same level as the prior year despite an increase of more than 30% in the gross loan portfolio. In order to assess the adequacy of the provision management review the loan portfolio and, based upon their judgement, set aside specific and general provisions for loan losses. The specific element relates to identified risk facilities and the general element relates to the risks which are present in any banking portfolio but which have not been specifically identified.

5.5.4 Although management perform a formal exercise to identify specific provision requirements (see appendix 3 schedules B2), we take a more conservative view and regard some of the general provision as being earmarked against specific risks. Our view is that the general provision has been maintained at approximately \$ 10 million in both the current and prior years.

5.5.5 The loan loss provision should also be considered in the context of provision requirements against known risks which do not relate to the Bank's own loan portfolio. In particular, the Bank has issued risk sharing guarantees through its Head Office amounting to \$ 22m (1984 \$ 22m) in favour of its parent company in order to partially underwrite guarantees given by the parent company to other group companies in Hong Kong against specific risk facilities in their respective loan portfolios. Similarly the Bank has issued risk sharing guarantees from its Head Office amounting to \$ 9 m (1984 nil) and from its branch in Panama amounting to \$ 4.5m (1984 nil) to partially underwrite specific risk facilities in Egypt and the UAE respectively.

- 5.5.6 Based upon the advice of local management and auditors, specific provisions amounting to \$ 31.5m (1984 \$ 22.0m) have been made by the Bank to cover the estimated losses that may be incurred under these risk sharing guarantees. The effect is to reduce the provision available to cover risks in the Bank's own portfolio, as follows.

	1985 \$m	1984 \$m
Loan loss provision	115.9	88.3
Less provision against inter group guarantees	(31.5)	(22.0)
Revised provision	<u>\$ 84.4</u>	<u>\$ 66.3</u>
Gross loan portfolio	<u>\$2,304.3</u>	<u>\$1,757.6</u>
Revised provision as % of gross loan portfolio	<u>3.66%</u>	<u>3.77%</u>

- 5.5.7 Thus the level of provisioning to cover specific and general risks inherent in the Bank's own loan portfolio after deducting the provisions required against risk sharing guarantees has been marginally eroded during the year. However, the Board of Directors of the Bank have confirmed to us that it is their intention to increase the general provision during 1986 and subsequent years commensurate with the quality of the credit risk and the growth in the portfolio.
- 5.5.8 Our review of the adequacy of the loan loss provision has satisfied us that it is sufficient to meet losses which might be incurred in the existing portfolio.

## 5.6 Investments

- 5.6.1 Investments include a trading portfolio of securities and other dealing assets which are managed by the Central Treasury Division of Head Office together with an investment portfolio of securities, at Head Office and other branches, which the Bank intends to hold to maturity.
- 5.6.2 The Central Treasury Division provides a centralised and co-ordinated vehicle for the investment of surplus convertible currency funds generated throughout the BCC group. Treasury activities include an investment function, which deals in certificates of deposit, treasury bonds, financial futures and various other traded instruments, and a liquidity management function, which utilises the liquidity of the group and places funds not required for investment purposes on the interbank market.
- 5.6.3 The Central Treasury Division is under the overall control of a Treasury Committee and an Investment Committee. The former comprises senior executives of the Bank and meets monthly to establish investment policy and strategy within guidelines approved by the Board. The latter meets daily and makes trading decisions within the overall strategy set by the Treasury Committee.

263

- 5.6.4 The investment profile of the Central Treasury Division is predominantly liquid and generally includes a high proportion of interbank placements and prime negotiable certificates of deposit (see paragraph 5.3.2). At the year end the Central Treasury Division managed total funds of about \$ 2.7 billion (1984 \$ 2.4 billion) of which more than \$ 2 billion (1984 \$ 1.2 billion) comprised interbank placements and certificates of deposit.
- 5.6.5 The investment position of the Bank at the year end may be summarised as follows:

	1985 \$m	1984 \$m
<b>Trading portfolio at cost:</b>		
US Treasury bonds and bills	386	564
UK Government securities	32	34
UK loan stock and Eurobonds	17	141
Precious and base metals	68	208
Equities	32	2
Balances with brokers	<u>384</u>	<u>280</u>
	<u>916</u>	<u>1,229</u>
<b>Provision to state physicals, futures and options at market value</b>	<u>(36)</u>	<u>(36)</u>
<b>Trading portfolio at valuation</b>	<u>606</u>	<u>1,193</u>
<b>Investment portfolio at cost</b>	<u>267</u>	<u>205</u>
	<u>\$ 873</u>	<u>\$ 1,398</u>

COPIED AND INDEXED  
 AT FBI LABORATORY  
 FEDERAL BUREAU OF INVESTIGATION

- 5.6.6 The significant reduction in the physical investments held for trading purposes reflects a strategic decision of the Bank to concentrate on option rather than physical trading. Since the year end the Bank has reduced significantly the level of option trading following the substantial losses incurred during 1985 as reflected in the year end provision required to revalue the open positions to market.
- 5.6.7 The investment portfolio primarily represents government securities which the Bank intends to hold until maturity and is carried at cost. Such investments are often held to meet local reserve requirements. The distribution of the investment portfolio between the branches of the Bank is as follows.

	1985 \$m	1984 \$m
Bangladesh	16.5	20.4
France	15.7	10.2
Grand Cayman	41.4	44.0
India	45.1	14.2
Kenya	9.8	10.4
Pakistan	115.5	80.4
Others	23.0	25.4
	<u>\$ 267.0</u>	<u>\$ 205.0</u>

## 5.9.3 Head Office

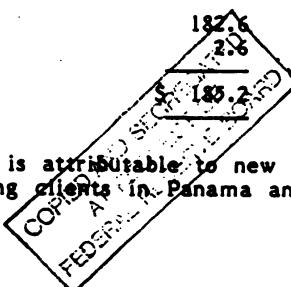
	1985 \$m	1984 \$m
Grand Cayman	<u>\$1,402.7</u>	<u>\$1,357.0</u>

The deposits in Grand Cayman have remained fairly static in overall percentage terms although there have been significant movements within the portfolio, particularly amongst Middle Eastern clients. The small increase in Grand Cayman portfolio is attributable to further deposits from corporate Middle Eastern clients.

## 5.9.4 Latin America Region

	1985 \$m	1984 \$m
Panama Paraguay	182.6 2.6 \$ 185.2	127.9 - \$ 127.9

The overall increase of \$ 57m is attributable to new depositors and increased deposits from existing clients in Panama and to the new branch in Paraguay.



## 5.9.5 Caribbean Region

	1985 \$m	1984 \$m
Bahamas	45.4	70.6
Barbados	11.3	23.5
Florida, USA	258.5	167.5
Jamaica	34.4	39.0
	<hr/> <u>\$ 349.6</u>	<hr/> <u>\$ 300.6</u>

The overall increase of \$ 49m is due largely to a significant growth in deposits in Florida offset by decreases in the Bahamas and Barbados.

*Bank of Jamaica  
former branch*  
The branches in Florida have achieved a significant increase in the numbers of depositors and, in particular, have attracted large deposits from Caribbean Banks and from Islamic Banks of the Middle East.

In the Bahamas a number of clients have not renewed deposits on maturity and one large account was transferred to the Miami branch in order to provide improved client service. In Barbados a \$ 10m deposit from the Central Bank was repaid on maturity and a number of smaller accounts were not renewed.

1. We recommend that consideration be given to limiting the maximum loan exposure to an individual client or group and to further protect the net assets of the Bank by substantially increasing the general loan loss provision commensurate with the quality of the credit risk and the growth in the portfolio.

The loan portfolio of the Bank contains a relatively high concentration of risk to a small number of prominent clients. The inherent risk associated with these major exposures is significant in the context of the capital base of the Bank particularly in cases where advances have been made on an unsecured basis.

2. We recommend that management should review its liquidity strategy to ensure that efficient use is made of surplus funds with minimisation of risk.

Management should review its liquidity strategy and, in particular, develop procedures to ensure the timely availability of information on its worldwide funds profile to enable surplus funds to be invested in an efficient and effective manner having regard to interest rate, credit and gap risk.

3. We recommend that management should examine its global tax strategy with a view to optimising its organisational and operational structure in a tax efficient manner.

The need for such a review has been highlighted recently in connection with the Central Treasury operations. Management should critically review its tax strategy to minimise its effective overall tax liability. This review should include consideration of the management and control of international loans, the activities of the Central Treasury Division and the effective use of management fees and operational expenses.

4. We recommend that consideration be given to strengthening the quality of the Central Support Departments and to the automation of the management information systems.

In view of the current size and complexity of the Bank's operations, the adequacy of the present systems and staffing levels should be reviewed to ensure that they are compatible with the expectations of management and external agencies. For example, we consider that the Central Credit Division should be expanded and upgraded to further assist central management in the monitoring and control of worldwide credit facilities. In addition, we recommend that longstanding plans for the computerisation of the management information systems in the Central Credit Division be implemented as a matter of priority to facilitate the accurate and timely analysis of data and to enable facilities to be readily monitored for performance against sanctioned limits and conditions.

Certain of the matters raised in the attached report have been repeated from our reports of previous years because further action is required by management to implement satisfactory controls; these points have been highlighted with an asterisk (\*).

BANK OF CREDIT AND COMMERCE INTERNATIONAL LTD.  
INTERNAL CONTROL REPORT - 28 APRIL 1986

**A. GRAND CAYMAN HEAD OFFICE**

**1. Loans and Advances**

- \* 1.1 We recommend that efforts be made to obtain current financial and other supporting information in respect of all borrowers.

Although there have been marked improvements in the quality of the credit files maintained at Head Office, we have again noted some instances where the files contain inadequate financial information such that the credit worthiness of the borrower cannot be readily established. Although we recognise that, particularly in the case of Middle Eastern clients, such information is often not available and that facilities are often approved on the basis of financial and business reputation of the borrower we recommend that efforts should be made to obtain current financial and other supporting information whenever possible.

- \* 1.2 We recommend that consideration be given to the implementation of the following improvements in respect of control over international credit facilities:

- (a) procedures should be introduced to ensure that international loans at Head Office are regularly reviewed by the executive in the Central Support Office responsible for each group of facilities to verify that the Head Office records are being accurately maintained and that posting errors between accounts have not occurred;
- (b) all related international loan facilities should be coded to enable them to be grouped together in the loan listing thereby facilitating easier review and control. At the present time there is no logical sequence to account numbers allocated to related international facilities and, accordingly, review of such accounts is both laborious and subject to omission or error;
- (c) further consideration should be given to rationalising the collateral held as security against international facilities. Such facilities are, by nature, often highly active and clients frequently open and close individual accounts. Accordingly, there is presently an unnecessary administrative burden in ensuring that adequate security is continuously available to cover all facilities outstanding at any one time. This problem would be largely removed if collateral for international loans was obtained on a global basis;
- (d) records should be maintained at Head Office showing the total worldwide exposure of the BCC group under each international facility and such records should be updated on a regular periodic basis.

- 1.3 We recommend that, except in the most exceptional circumstances, funds should not be disbursed prior to the perfection of any required security arrangements.

We noted instances where funds had been disbursed under approved facilities prior to the perfection of the security arrangements required by the sanction advice. In those cases where exceptional circumstances do exist, rigorous efforts should be made to obtain documentation without delay to minimise the period of time during which the Bank is effectively exposed to clean lending.

- 1.4 We recommend that independent valuations be obtained on a regular periodic basis to enable the adequacy of security to be properly monitored.

Instances were noted in which items of security were not supported by independent valuations, or instances where the value of security was subject to frequent fluctuations in market value (e.g. property) but which were not supported by regular updates. Furthermore, documentation did not always exist on file to demonstrate that insurable assets were adequately insured with the interest of the Bank duly noted on the policy.

- 1.5 We recommend that all charge or pledge documentation be approved by the legal department before funds are disbursed in accordance with Section D4 of the advances manual.

We have noted some instances where the documentation received by the Bank to create a charge or pledge over security had been accepted without any evidence of consideration having been given to its legal enforceability in the jurisdiction in which the enforcement would be made.

- 1.6 We recommend the introduction of procedures to enable the Bank to properly control the release of security required under the terms of a credit approval.

We have noted that although individual credit officers maintain records of security held as collateral against credit facilities, there is no centralised registration procedure to ensure that the exact details and whereabouts of such securities are readily available. Furthermore, procedures should be strengthened to ensure that security held by the Bank as collateral is not released without proper authorisation.

- 1.7 We recommend that loans should not be allowed to be drawn down in excess of approved limits prior to increased facilities being sanctioned in writing in accordance with the established procedures of the Bank.

We noted instances where exposure exceeded authorised limits, occasionally by significant amounts, and also that in many cases such excesses were caused by the accrual of interest. Limits should be set at a level that is capable of covering the normal accrual of interest without being exceeded.

- \* 1.8 We again recommend that, in accordance with the group policy, interest on loans against which there is a specific loan loss provision is always credited to reserve and not to income.

Although we are generally satisfied that the group policy is being followed, we particularly draw your attention to the few situations where specific provisions are maintained at Head Office in respect of delinquent advances held at branch level. In such cases it may be more appropriate for the loans to be transferred to Head Office where they can be properly monitored.

- \* 1.9 We again recommend that the Central Credit Division take positive steps to ensure that branch managers throughout the Bank are fully aware that they are responsible locally for maintaining complete credit files for all loans other than those which form part of an international credit line and which are controlled centrally.

During the course of our audit we had several requests from local auditors to review loans for which documentation was not available locally. Such instances reflect a weakness in the day to day control over the monitoring of facilities since they are often neither monitored locally nor centrally and could result in the Bank incurring losses which would be otherwise avoidable.

- 1.10 We recommend that recoveries on "Payments Against Documents" accounts should be properly monitored to ensure that they cover the original advance.

An instance was noted under an international loan facility where the recovery under a "Payments Against Documents" account fell short of the amount originally advanced and no remedial action had been taken for at least a year to recover the shortfall. Any shortfall on such accounts should be transferred immediately to a current account and subjected to standard credit control procedures.

- 1.11 We recommend that procedures be introduced to enable management to readily identify non-performing loans.

No regular reporting procedures exist at Head Office whereby senior management, the Central Credit Committee or the Board of Directors are notified of non-compliance with the terms and conditions of borrowing, particularly in relation to the non-payment of principal and interest. Such procedures should include a monthly report on the progress made in collecting past due amounts in respect of difficult accounts and, furthermore, should comply with Section F of the Advances manual in relation to identifying, monitoring and reporting delinquent advances.

**1.12 We recommend that all credit files contain written authorisation to support the interest rate being applied to an account.**

We noted instances whereby the interest rate being applied to an account differed from that quoted on the sanction advice. Although we were advised that oral approval had been given for the variation in rates, written authorisation should always be obtained for future reference.

**1.13 We recommend that the Head Office manager maintain a private register of borrowers using numbered accounts.**

We noted instances, where for general reasons of confidentiality, certain borrowers were designated with a numbered account reference rather than the account being entitled with the full name of the borrower. Whilst we have no particular objection to this practice, we found that in most instances none of the officers of the Grand Cayman office were able to correctly identify either the name of the borrower or the credit officer responsible for monitoring the account at other locations.

**1.14 We recommend that, where loan accounts are effectively controlled and monitored in other locations, the Head Office accounting records be closely and regularly reviewed by the credit officers concerned.**

We noted instances of errors occurring in the accounting records at Head Office because they were not adequately monitored to ensure their completeness and accuracy.

\* **1.15 We again recommend that procedures be introduced to monitor and control staff loans and advances.**

We have noted during the past few years that the level and number of staff loans booked at Head Office has steadily increased but that regular monitoring is not carried out to ensure that the terms and conditions of each loan are being followed. We also recommend that full loan documentation be maintained at Head Office including specific details of repayment terms in those instances where repayment is not by monthly deduction from salary.

2639

- (d) All holdmail accounts should be checked back to the respective mandates and customer authorities to ensure that proper authorisation has been obtained, and that, in particular customers have signed "request for no correspondence" forms. In cases where no authority is found, the customer should be contacted to establish whether the account should continue to have holdmail status.
- (e) The Bank should obtain indemnities from customers requiring confidentiality and holdmail status to safeguard itself from potential claims.
- (f) A separate filing system for mandates relating to accounts with holdmail status should be introduced.
- (g) Controls should be instituted to ensure that the current address of holdmail customers is readily available on file.

#### **4. Deposit Accounts**

##### **4.1 We recommend that the Head Office manager maintains a private register containing full details of depositors with numbered accounts.**

The identification of the customers relating to numbered accounts would be facilitated with the maintenance of a proper register. Furthermore, balances relating to several customers should not be grouped together and recorded as one numbered account.

##### **4.2 We recommend that all documentation necessary to support the source and authenticity of a deposit be kept in the customer files maintained in Grand Cayman.**

We noted instances whereby supporting documentation in respect of deposits parked in Grand Cayman from other locations (principally BCC Emirates) was not available locally.

#### **5. Bank Accounts**

##### **5.1 We recommend that clarification be obtained without delay whenever posting instructions received in Grand Cayman relating to interbank placements fail to specifically identify the exact branch of the counterparty.**

*Banking  
should be  
well up.*

We noted several instances whereby placements with or from banks and affiliates were inadequately described in the general ledger in that the exact branch of the respective parties was not readily identifiable.

##### **5.2 We recommend that whenever differences occur between affiliate balances in the records of Head Office and those of the affiliate, prompt action be taken to ensure that proper reconciliations are performed.**

*Lo Angeles*

We noted an instance whereby the balance on a dormant demand account with an affiliate bank did not agree with the balance reported by that affiliate. During the course of the audit no reconciliation was performed to explain the nature of the difference and to make correcting entries, if required.

*2640*

COMMENTARY ON THE INDEPENDENT  
EXAMINATION OF THE ACCOUNTS OF  
BANK OF CREDIT AND COMMERCE  
INTERNATIONAL (OVERSEAS) LTD.

FOR THE YEAR ENDED 31 DECEMBER 1984

COPED AND  
FILED  
FEB 1985

Price  
WATERHOUSE  
*Chartered Accountants*

2641

## 7. GRAND CAYMAN HEAD OFFICE

### 7.1 Loans and advances

7.1.1 Although there have been marked improvements in the quality of the credit files maintained at Head Office we have again noted instances where the files contain inadequate financial information such that the credit worthiness of the borrower cannot be readily established. Although we recognise that, particularly in the case of Middle Eastern clients, such information is often not available and that facilities are often approved on the basis of financial and business reputation, we recommend that efforts should be made to obtain current financial and other supporting information whenever possible. Furthermore steps should be taken to ensure that the value of security held as collateral is reassessed regularly by independent valuers. We also recommend that procedures should be introduced to ensure that all documentation relating to Head Office credit facilities received or prepared by the Central Credit Division should be copied to Grand Cayman.

### 7.1.2 In the case of international credit facilities we recommend:

- (a) that procedures be introduced to ensure that international loans at Head Office are regularly reviewed by the executive in the Central Support Office responsible for each group of facilities to verify that the Head Office records are being accurately maintained and that errors have not occurred;
- (b) that all related international loan facilities be coded to enable them to be grouped together in the loan listing thereby facilitating easier review and control. At the present time there is no logical sequence to account numbers allocated to related international facilities and, accordingly, review of such accounts is both laborious and subject to omission or error;
- (c) that further consideration be given to rationalising the collateral held as security against international facilities. Such facilities are, by nature, often highly active and clients frequently open and close individual accounts. Accordingly, there is presently an unnecessary administrative burden in ensuring that adequate security is continuously available to cover all facilities outstanding at any one time. This problem would be largely removed if collateral for international loans was obtained on a global basis in the form, for example, of pledged quoted securities or third party bank guarantees to cover all borrowings of such customers.

2642

## BCCI (OVERSEAS) LTD

Region - Head Office

31 December 1985

Facilities drawn in excess of US \$5,000,000  
(expressed in US \$'000)

<u>Name of borrower</u>	Total \$'000	Loans/ Advances \$'000
<b>GRAND CAYMAN</b>		
1 Customer ref. 1	75,203	74,760
2 Customer ref. 2	5,000	5,000
3 Customer ref. 3	5,687	5,687
4 Customer ref. 4	172,722	162,807
5 Customer ref. 5	5,065	5,065
6 Customer ref. 6	149,868	149,868
7 Customer ref. 7	8,644	8,644
8 Customer ref. 8	5,536	5,536
9 Customer ref. 9	10,656	10,656
10 Customer ref. 10	12,606	6,356
11 Customer ref. 11	6,241	6,241
12 Customer ref. 12	38,701	38,701
13 Customer ref. 13	79,548	79,548
14 Customer ref. 14	14,425	14,425
15 Customer ref. 15	11,267	11,267
16 Customer ref. 16	8,243	8,243
17 Customer ref. 17	59,679	59,679
18 Customer ref. 18	10,887	10,887
19 Customer ref. 19	6,647	6,647
20 Customer ref. 20	6,137	6,137
21 Customer ref. 21	8,147	8,147
22 Customer ref. 22	20,718	20,718
23 Customer ref. 23	27,778	27,778
24 Customer ref. 24	9,920	9,920
25 Customer ref. 25	6,672	6,672
26 Customer ref. 26	273,691	38,729
27 Customer ref. 27	12,656	12,656
28 Customer ref. 28	9,307	7,307
29 Customer ref. 29	11,365	3,365
30 Customer ref. 30	7,899	7,899
31 Customer ref. 31	14,422	14,422
32 Customer ref. 32	51,538	51,538

2641

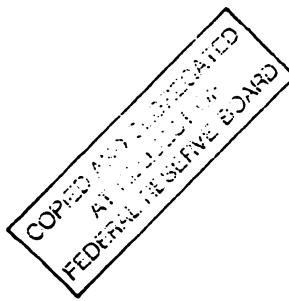
BCCI (OVERSEAS) LTD

Region - Head Office

31 December 1985

Status reports on loans against which specific provisions in excess of US \$100,000 have been made (expressed in US \$'000)

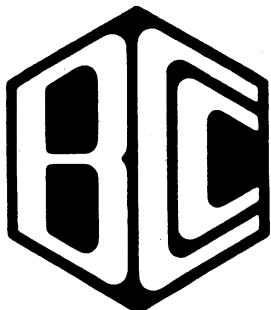
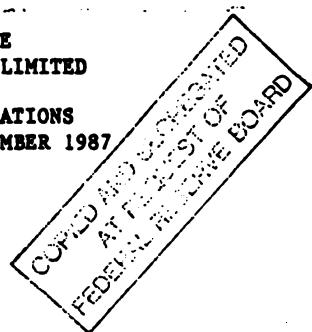
<u>Name of borrower</u>	<u>Provision at 31 December 1985</u>	<u>\$'000</u>
<b>GRAND CAYMAN</b>		
1 Customer Reference No. 1		178
2 Customer Reference No. 2		1,650
3 Customer Reference No. 3		169
4 Customer Reference No. 4		6,000
5 Customer Reference No. 5		1,650
6 Customer Reference No. 6		500
7 Customer Reference No. 7		3,000
8 Customer Reference No. 8		150
9 Customer Reference No. 9		163
10 Customer Reference No. 10		300
11 Customer Reference No. 11		365
12 Customer Reference No. 12		173
13 Customer Reference No. 13		424
14 Customer Reference No. 14		317



BANK OF CREDIT AND COMMERCE  
INTERNATIONAL (OVERSEAS) LIMITED

REPORT ON RESULTS AND OPERATIONS  
FOR THE YEAR ENDED 31 DECEMBER 1987  
VOLUME 1 OF 2

3 JUNE 1988



*Price Waterhouse*



2648

- 4.7 The decrease in interest income from Affiliates reflects the decreased money market activity of Central Treasury and lower average market interest rates. Although the function of Central Treasury is to receive funds from affiliates surplus funds are at times placed back with affiliates on short maturities whenever required by them for local utilisation.
- 4.8 The increase in interest income from securities is consistent with management decision to expand the investment portfolio of Central Treasury.
- 4.9 Interest income from Certificates of Deposit has increased in a consistent manner with the underlying balance sheet footing

#### Interest Expense

- 4.10 The principal recipients of interest paid were as follows:

	\$ million	
	1987	1986
Clients	256.2	253.5
Banks	37.6	40.6
Affiliates	39.9	347.1
Non banking financial institutions	46.1	13.5
Discounts	16.7	20.4
	<u>679.4</u>	<u>675.1</u>

- 4.11 The interest paid to clients has increased due to the increase in the average balance of deposits, however this has been partially offset by lower average market interest rates.
- 4.12 Interest paid to affiliates continues to be the largest category of interest paid owing to the activity of Central Treasury.

#### Other operating income

	Paragraph	\$ million	1987	1986
Other operating income comprises the following:				
Commission and fees	4.14	118.6	100.0	
Foreign exchange	4.15	16.9	14.9	
(Loss)/profit on investments	4.16	(26.6)	78.0	
Other income	4.21	38.0	23.3	
Exceptional losses on 1985 Option Contracts.	4.16	-	(55.0)	
		<u>146.9</u>	<u>161.2</u>	

#### Commission and fees

- 4.14 Commission income includes commissions and fees on loans, guarantees and trade finance transactions with customers. The business has been static in the year with all branches reporting only minor fluctuations in commission income from 1986. A major source of this income was the commission received from transactions relating to certain client's United States investments.

CCAH \$'s/m

2649

CONFIDENTIAL

PRIVATE & CONFIDENTIAL

BCCI HOLDINGS (LUXEMBOURG) SA  
REPORT ON RESULTS AND OPERATIONS  
FOR THE YEAR ENDED 31 DECEMBER 1988

20 JUNE 1989



2650

~~CONFIDENTIAL~~

- 5.25 Any plans for the reduction in these exposures should take account of the need to generate alternative sources of income in view of the significant contribution of these major borrowers to the results of the Group.

Advances in excess of 10% of the Group's capital fund

- 5.26 Brief reports on the borrowers with exposures in excess of 10% of the Group's capital fund are provided in the following paragraphs together with a report on lending secured on shares in CCAH (the holding company of First American Bankshares, Inc).

Customer A

- 5.27 Customer A is a group with diverse shipping and trading interests managed by a prominent Pakistani family. The facilities are largely drawn down to finance short-term trade receivables and the purchase of ships.

- 5.28 The account balances are summarised below:

			\$ million	
	Exposure	Limit	1988	1987
Funded facilities	348.0	31.12.87	255.0	247.0
Contingent facilities	15.0	31.12.87	24.2	25.0
			318.1	280.0
				272.0

Security, at values attributed by management, comprises:

	1988
Cash deposits and US Government Bonds	29.0
Ships	26.0
Shares (valued at net book amount)	345.0
Stocks and freight receivables	159.7
Documents of title to goods under letters of credit	30.5
	590.2

- 5.29 The pledged security of shares in the parent company of the borrower may be difficult to enforce in practice owing to the possible presence of prior charges on the assets of the underlying operating entities. Notwithstanding this, the Group has taken significant steps to strengthen its security position during 1988.

2651

CONFIDENTIAL

- 5.30 The past performance of this customer group had been a cause of concern and has been closely monitored by BCCI and ourselves. In 1987 there was an upturn in the underlying markets in which it operates resulting in increased activity and profit margins. Although the customer's results for the year ended 31 March 1989 are not yet available, the shipping industry remained buoyant in 1988 and management are confident that its profitability will continue to improve. The overall loan balance increased during the year, however, there have been some repayments into the account during the first quarter of 1989. This account will continue to require close monitoring in the future, and the Bank has stated its intention to better record its monitoring procedures and to improve the quality of credit files in 1989.

Customer B

- 5.31 Customer B is the ruler of a small Middle Eastern ~~dictator~~ His facilities comprise:

COPIED AND DATED  
11 FEBRUARY 1989  
FOR THE INTERNAL BOARD

	\$ million			
	Exposure	Limit	1988	1987
31.12.88	31.12.87			
Loan	145.0	123.9	140.0	98.0
Guarantee	175.0	175.5	175.0	175.5
	—	—	—	—
	<u>320.0</u>	<u>299.4</u>	<u>315.0</u>	<u>273.5</u>

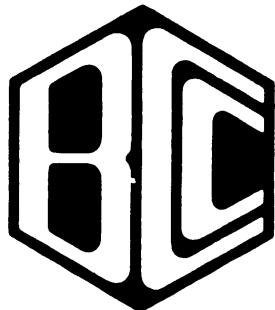
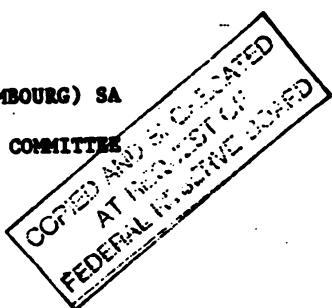
- 5.32 The loan is fully secured by the pledge of shares in CCAH. The guarantee relates to a commitment by the Group to provide financing to Customer B in the event that he is required to repurchase a block of CCAH shares (see paragraph 5.40) which he sold under a buy-back agreement.

2652

BCCI HOLDINGS (LUXEMBOURG) SA

REPORT TO THE AUDIT COMMITTEE

11 NOVEMBER 1989



*Price Waterhouse*



2653

## COUNTRY RISK PROVISIONS AT 30 SEPTEMBER 1989

## MAJOR EXPOSURES AT RISK IN COUNTRIES THAT HAVE BEEN IDENTIFIED AS REQUIRING PROVISION

	Identified Exposure at risk 31 December 1988	Identified Exposure at risk 30 September 1989	Provision at 31 December 1988 and of provision 30 September 1989	Effective % rate 31 December 1989	Possible resulting additional effective provision % rate of provision in 1989 in 1989 provision
Cuba	2.3	2.3	0.6	26	See Note 1 1.1 75
Iraq - Principal	11.8	11.8	2.4	18	See Note 2 1.2 30
- Interest	1.9	0.6	-	-	
Ivory Coast	-	0.8	-	19	See Note 3 0.6 75
Mexico	8.5	7.3	1.6	19	See Note 4 1.0 35
Nigeria - Refinancing and Government	230.7	216.8	64.6	28	See Note 5 11-22.0 35-40
- Commercial	30.3	5.8	19	-	
Panama	-	-	-	See Note 6 0.3 50	
Philippines - Central Bank	30.0	30.0*	17	See Note 7 5.5 35	
Sierra Leone	1.5	3.3	27	See Note 8 1.5 60	
Sudan - Central Bank	20.0	19.9	54	See Note 9 1.7 75	
- Other	4.9	-	65	(3.2)	
Zambia - Central Bank	27.8	24.6	5.0	18	See Note 10 2.4-9.8 30-60
- Other	1.3	1.3	0.7	54	0.3 75
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	\$371.0	\$349.3	\$100.0		\$23.4-\$41.8

\* Estimate only: balance not expected to have changed significantly since 31 December 1988.

## BCCI HOLDINGS (LUXEMBOURG) SA

## COUNTRY RISK PROVISIONS AT 30 SEPTEMBER 1989

18

## NOTES

1 Cuba

Interest, at rates of 12%-14%, continue to be rolled up on the Bank of Cuba exposure. Total interest in the nine months is approximately \$230,000. We believe interest should be suspended. Movement in exchange rates have maintained the balance at a similar dollar equivalent to 31 December 1988. Effective rate of provision almost 30%. Evidence from some other banks indicates provisions of 75%.

2 Iraq

In accordance with the agreement reached between BCCI and Rafidian Bank early in 1989 interest up to 31 March 1989 of \$2.1m was paid. Capital repayments were not due to commence until 1 October 1989, however, this payment has not been received yet. Management represent that there is no conclusive evidence that the agreement will not be honoured. At 30 September 1989, therefore, the provision raised in 1988 is considered low and should be raised to 30% although even this is at the lower end of the Bank of England range.

3 Ivory Coast

Sovereign exposure not identified last year. Scoring of the matrix and indications from other banks suggests provision of 75% is appropriate. However, more information required on CBN's advance at the year end.

4 Mexico

The recent international discussions on Mexican debt under the Brady plan indicate that a discount of 35% on outstanding debt is perhaps more appropriate than that determined by the matrix at 31 December 1988. If provision is raised to 35%, the additional provision required in 1989 is \$1.0m. Further information on BCCI's debt is required before the direct impact of the Brady plan can be identified.

5 Nigeria

Interest on this debt to the CBN has been received since December 1987 when the refinancing agreement was signed. A new schedule for repayment of capital on the main CBN exposure was signed in March 1989. Capital repayments have followed that schedule with repayments of \$7.8m being received by 30 September 1989. If repayments continue then at current exchange rates the year end balances will be \$210.2m. A further reduction in the dollar equivalent exposure has resulted from exchange rate movements in the period.

The effective rate of provision has increased from 27% to 29.5%. This sum is satisfactory in relation to the current matrix, however, comments made at the College of Regulators meeting indicates that given the size of BCCI's exposure the Regulators would expect to see a higher provision.

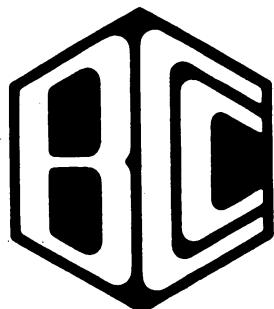
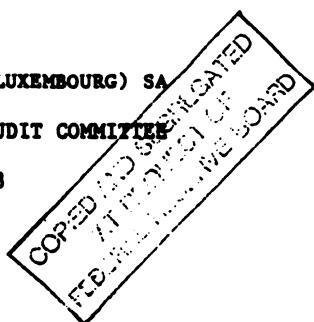
Provision at say 35% for all Nigerian exposure at risk would require additional provision in 1989 of \$11m, at 40%, an additional \$22m.

-- 2660

BCCI HOLDINGS (LUXEMBOURG) SA

REPORT TO THE AUDIT COMMITTEE

10 NOVEMBER 1988



*Price Waterhouse*



2612

Southwark Towers  
32 London Bridge Street  
London SE1 9SY

Telephone: 01-407 8989  
Telex: 884657-8  
Telecopier: 01-378 0647

**Price Waterhouse**



9 November 1988

Dr A Hartmann  
Rothschild Bank AG  
Zollikerstrasse 181  
8034 Zurich

Dear Dr Hartmann,

**REPORT TO THE AUDIT COMMITTEE OF  
BCCI HOLDINGS (LUXEMBOURG) SA**

Accompanying this letter I enclose a brief report on our interim audit work for discussion with you and Mr Van Den Berg at our meeting on Thursday 10 November.

I summarise below the major topics which could form the basis of an agenda for our meeting listed in the order in which they appear in the accompanying report.

- 1 Scope of work and audit arrangements
- 2 Results to 30 September and outlook for the year
- 3 Provisions, major exposures and approval procedures
- 4 Treasury
- 5 Taxation
- 6 Management information system
- 7 Compliance and regulatory issues
- 8 Internal control review
- 9 Any other business

It is a very full agenda and I imagine that we will probably need to spend much of the time considering the compliance and control issues.

2614

Offices at Aberdeen, Birmingham, Bristol, Cardiff, Edinburgh, Glasgow, Leeds, Leicester, Liverpool, London, Manchester, Middlesbrough, Newcastle, Nottingham, Southampton and Windsor

The partnership's principal place of business is at Southwark Towers, 32 London Bridge Street, London SE1 9SY where a list of the partners' names is available for inspection

The firm is authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.



9 November 1988

Dr A Hartmann

Page 2

As you know the next College of Regulators meeting is scheduled for Tuesday 29 November and many of the items for discussion at our meeting will be of interest to that group.

Our team will include Mr. Burnett, Mr. Covani, Mr. Chapman and myself. I understand that Mr. Naqvi and Mr. Rahman will also attend.

I look forward to seeing you on Thursday.

Yours sincerely,

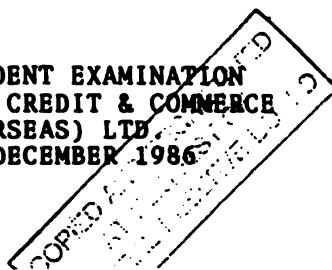
EW Hoult

cc JD Van Oenan  
Mr S Naqvi  
Mr M Rahman

2615

COMMENTARY ON THE INDEPENDENT EXAMINATION  
OF THE ACCOUNTS OF BANK OF CREDIT & COMMERCE  
INTERNATIONAL (OVERSEAS) LTD  
FOR THE YEAR ENDED 31 DECEMBER 1986

VOLUME 1 OF 2



2571-  
2731

Disclose  
24

Pile 24 -  
Missing ECCI (o)  
PW Report 1986

Dec 1987 Annual Report

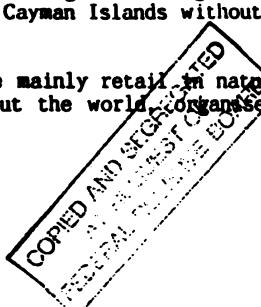
*Price Waterhouse*



- 2597

### 1. ORGANISATION AND STRUCTURE OF THE BANK

- 1.1. The Bank is a wholly-owned subsidiary of BCCI Holdings (Luxembourg) S.A ('Holdings') and is incorporated in the Cayman Islands where it holds an unrestricted Category A banking licence issued by the Cayman Island Government. However, an undertaking has been given that retail banking will not be commenced in the Cayman Islands without the prior approval of Government.
- 1.2. Banking operations, which are mainly retail in nature, are carried out in various countries throughout the world, organised in the following regional structure:



	<u>NUMBER OF BRANCHES</u>
Head Office	1
Grand Cayman	1
Latin America Region	
Panama -	2
Paraguay -	1
Caribbean Region	
Bahamas -	1
Barbados -	1
Florida, USA -	3
Jamaica -	3
Africa I Region	
Cote D'Ivoire -	2
France -	3
Gabon -	3
Monaco -	1
Senegal -	1
Sudan -	3
Togo -	1
Turkey x	3
Africa II Region	
Kenya -	7
Liberia -	1
Sierra Leone - Sudan	2
Middle East Region	
Sultanate of Oman -	12
Far East Region	
Bangladesh -	3
China -	1
Korea -	1
Macau -	1
Philippines -	1
South Asia Region	
Maldives -	1
Pakistan -	3
Sri Lanka -	2
India Region	
India -	1
Total Number of branches at 31 December 1986	65

2003 The relative size of the Bank's operations in each country can be determined from the summarised table of results set out in paragraph 4.11 and from the subsequent balance sheet analysis.

1.3 During 1986, additional branches were opened in Turkey and China, thereby increasing the total number of operating branches from 63 at the end of 1985 to 65 at the end of 1986.

1.4 **Representative offices**

During 1986 representative offices of the Bank were maintained in:

Sao Paulo, Brazil  
 Beijing, China  
 Bogota, Colombia  
 Cairo, Egypt  
 Lagos, Nigeria  
 Lisbon, Portugal

1.5 **Board of Directors**

As at 31 December 1986 the Board of Directors of the Bank comprised:

Mr. A.H. Abedi  
 Mr. G.F. Al-Mazrui  
 Mr. K.S. Bin Mahfouz  
 Dr. A. Hartmann  
 Mr. P. Kandiah

Mr. Y. C. Laramore  
 Mr. P.C. Twitchin  
 Mr. J.D. van Oomen

The Board of Directors exercise control over the operations of the Bank at their regular meetings during which matters of policy and events of significance are reported, reviewed and decisions taken thereon. We were supplied with copies of the minutes of all such meetings, which were reviewed by us during the course of our audit.

1.6 **Audit Committee**

In order to enhance liaison between the Bank's external auditors and the Directors, an audit committee comprising two non executive Directors has been established. We have had three meetings with the audit committee in respect of the 1986 audit during which our audit scope and matters of audit significance were reported.

1.7 **Management**

The day-to-day management of the Bank is exercised by the Regional General Managers who are provided with support by the Central Support Organisation. Branch Managers report on a daily basis to the appropriate Regional Offices which are advised of all matters of significance.

1.8 **Operating procedures**

During the course of the audit the proper implementation of the established procedures was reviewed and tested as necessary. In particular, all branch auditors are required to confirm to us that they have had access to the Bank's operating manuals and that the branches covered by their examination have been complying with the systems and procedures contained therein.

- 2599 -

Head Office - Grand Cayman

- 3.6 The day-to-day operations of the Head Office have been subjected to a full scope compliance based audit. Balances with customers and other financial institutions have been confirmed directly on a sample basis.
- 3.7 The Bank has booked a number of large loans ("International Loans") in Cayman which are detailed in Appendix 3. These loans have been reviewed and discussed in detail with the group's senior management in Cayman and London.

Treasury

In our report dated 28 April 1986, we referred to the control weaknesses which existed in respect of the group's Central Treasury Division ("Treasury"). During 1986 management engaged the services of the Consultancy Division of Price Waterhouse, London, to assist them in implementing recommendations contained in our earlier report. We reviewed the progress made by the bank on the implementation of revised procedures during the year and in a report dated 5 August 1986 we were able to conclude that most of our significant recommendations had been implemented.

- 3.9 A further feature arising from the review of Treasury operations in 1985 was the potential liability to UK Corporation Tax arising from the Division's activities in the period 1982 to 1985. Following advice from ourselves and from the Tax Counsel during 1986 it was determined that this liability could be significantly reduced if the Bank ceased trading in the United Kingdom and claimed a terminal loss. As a consequence of this advice, the Treasury activities were moved from London to Abu Dhabi with effect from 31 October 1986. Price Waterhouse assisted with the transfer from London to Abu Dhabi and we are pleased to report that the transfer was conducted smoothly.
- 3.10 Our audit of the Treasury activities in 1986 has been sufficiently extensive to enable us to conclude that the results and assets of the division have been fairly stated for inclusion in the accounts of the Bank.

Branches

- 3.11 The audit of the rest of the Bank's operations involves the coordination of audits of branches located in 28 countries throughout the world. This work has been supervised and controlled by Price Waterhouse, London, on our behalf.

- 5.3.3 Due from affiliates comprises demand and term accounts with other group banks maintained in the normal course of business at prevailing market rates of interest.
- 5.3.4 Due from financial institutions comprises demand and term accounts with finance houses, investment companies and brokerage houses. The reduction over the prior year figures is largely attributable to the existence of significant margin account balances with two major brokerage houses at the end of 1985 which were not required at the end of 1986.

#### 5.4 Loans and advances

- 5.4.1 Loans and advances are stated in the balance sheet after deduction of \$ 110.2m (1985 \$115.9m) as a provision for possible loan losses (see Para. 5.5) and consist primarily of short to medium term trade related financing together with investment financing for selected international clients. The loan portfolio may be summarised by region, after deduction of interest in suspense, as follows:

	1985 \$m	1985 \$m
Head Office	\$146.8	983.9
Latin America Region	174.9	187.7
Caribbean Region	135.4	124.6
Africa I Region	313.6	227.1
Africa II Region	80.4	79.1
Middle East Region	142.0	150.2
Far East Region	236.1	171.5
South Asia Region	329.8	273.9
India Region	152.5	106.3
Loan loss provision	2,711.5 (110.2)	2,304.3 (115.9)
	<u>\$2,601.3</u>	<u>\$2,188.4</u>

COPIED AND STORED  
 AT [REDACTED] 1986  
 FEBRUARY 1987

- 5.4.2 There has been an 18% growth in the gross loan portfolio compared with the prior year. The principal features of the loan portfolio are described in the following paragraphs.

#### 5.4.3 Concentration of Risk

We have discussed the issue of the concentration of risk and income in relation to the Bank's loan portfolio at length with senior management and the members of the audit committee. A summary of the major exposure "groups" and the related income generated is given below:-

	Loans \$m	Contingent Facilities \$m
Total customer exposure at 31 December 1986	2,711	1,695
Exposure to the ten largest customer groups	880	430
%	32%	25%
Income attributed to the ten largest customer groups	142.0	

- 2601

5.4.4 We are continuing our discussions with management regarding their plans for the reduction of this concentration. Such plans should take account of the need to generate alternative sources of income in view of the significant contribution of these major borrowers to the results of the Bank.

5.4.5 Limit Excesses and Unsecured Exposure

At 31 December three loan accounts were more than \$30 million in excess of approved limits. Of these, one was substantially covered by a cash deposit and subsequent cash receipts have reduced the levels of excess on the other two accounts in 1987. We have also drawn management attention to the relatively high levels of unsecured exposure on certain accounts of high net worth individuals.

5.4.6 Cross Border Exposure

The Bank has relatively little cross border exposure to Latin America or other countries which are having difficulty servicing their external debt. It does however have a trade related current account exposure to Sudan totalling about \$42 million against which no provision was deemed necessary at 31 December 1986. We have accepted the lack of provision in respect of exposure to Sudan as the Bank negotiated a repayment agreement with the Bank of Sudan during 1986 which was finally signed on 22 February 1987. Through this agreement, management are confident that this exposure can be gradually reduced. If this agreement proves to be ineffective in 1987 management have agreed to suspend interest and create a provision at the rate of 10% per annum in respect of this exposure.

There is also a facility to the Republic of Zambia which is discussed further in paragraph 5.4.10.

5.4.7 Head Office

	1986 \$m	1985 \$m
Grand Cayman	1,146.8	983.9

The loan portfolio in Head Office has historically included facilities for many of the major clients of the Bank and these predominantly comprise the accounts referred to in paragraphs 5.4.3 and 5.4.5 above. The increase in loans during 1986 has almost entirely resulted from the granting of new facilities to established Middle Eastern clients together with the opening of several new facilities with Middle Eastern clients.

5.4.8 Latin America Region

	1986 \$m	1985 \$m
Panama	169.8	185.4
Paraguay	5.1	2.3
	<hr/>	<hr/>
	174.9	187.7
	<hr/>	<hr/>

**2602** The decrease in the Panamanian portfolio is due to certain loans to Middle Eastern clients maturing during the year and to others being transferred to other branches and affiliates. The Paraguay portfolio has continued to grow steadily.

BANK OF CREDIT AND COMMERCE INTERNATIONAL (OVERSEAS) LIMITED  
 INTERNAL CONTROL REPORT

1 Concentration of risk

We recommend that action be taken to reduce the Bank's exposure to individual clients or groups of clients to less than 10% of its capital fund.

It is the Bank's intention that the size of credit facilities should be restricted to 10% of the Group's capital fund except in exceptional circumstances. However we note that there are a number of existing significant individual customers and customer groups to which the Group has outstanding exposure in excess of this amount. We believe that the level of exposure to these customers should be reduced as soon as is practically possible not only to safeguard the Group against a potential loss should one of these customers default, but also to reduce the Group's dependence upon these major customers for significant amounts of its earnings.

2 Credit

We recommend that procedural controls over the group's credit activities are strengthened.

Particular areas of concern which have arisen during the course of our audit relate to:

(a) the adequacy of credit files

We have noted that the credit files maintained by the bank in some cases do not contain sufficient information to support management's review and control of credit facilities. In particular we noted that in many instances credit files do not contain the following information:

- (i) Audited accounts of the borrower and related entities
- (ii) Reports on visits to and discussions with the borrower
- (iii) Copies of important correspondence with the borrower
- (iv) Detailed analyses of the profitability of the account.

We also recommend that the Bank exercises its rights under security documentation to obtain better information on the financial position of its major borrowers.

(b) Limit excesses

We recommend that all limit excesses are reported on a continuing basis to head office so that authorisation of excesses can be obtained on a timely basis. Steps taken to reduce the excesses should then be followed up and controlled by the central credit division.

MASIRIQ HOLDING CO.

YEAR	NO. OF SHARES	BOOK VALUE PER SHARE AT YEAR END	MULTIPLIER	MARKET VALUE		RATE OF MANAGEMENT FEES	AMOUNT OF MANAGEMENT FEES
				USS	USS		
1982	7,660	6.56	1.00	1,036	14,063,760	1%	140,637.60
1983	10,243	6.56	1.75	3,435	35,184,705	1%	351,847.05
1984	10,243	6.56	2.25	4,655	47,681,165	1%	476,811.65
1985	10,243	6.56	2.50	5,490	56,234,070	1%	562,340.70
1986	21,660	9.68	2.75	6,475	140,248,500	1%	1402,485.00
1987	26,241	9.68	2.75	6,940	182,112,540	1%	1821,125.40

260

FD.C/1662

2,377,623.71

SHEIKH MUHAMMAD BIN RASHID AL MACTI

YEAR	NO. OF SHARES	BOOK VALUE PER SHARES AT YEAR END	MULTIPLIER	MARKET VALUE PER SHARE	MARKET VALUE OF SHARES	RATE OF MANAGEMENT FEES	AMOUNT OF MANAGEMENT FEES
	"	USS	"	USS	USS	"	USS
1982	7,070	7.07	1,836	1.00	1,836	12,980.520	1%
1983	9,082	5.82	1,963	1.75	3,435	31,196.670	1%
1984	9,082	5.82	2,068	2.25	4,655	42,276.710	1%
1985	9,082	5.82	2,196	2.50	5,490	49,860.180	1%
1986	13,021	5.82	2,354	2.75	6,475	84,310.975	1%
1987	15,775	5.82	2,524	2.75	6,940	109,478.500	1%
							1,650,517.73

2605

FD 01663

MR. FAISAL SAUD AL FULAIJ

2606

YEAR	NO. OF SHARES	BOOK VALUE PER SHARE AT YEAR END	MULTIPLIER	MARKET VALUE PER SHARE	MARKET VALUE OF SHARES	LTE OF MANAGEMENT FEES	AMOUNT OF MANAGEMENT FEES
		US\$		US\$	US\$		US\$
1982	10,015	8.58	1,836	1.00	1,836	18,387.540	1%
1983	13,393	8.58	1,963	1.75	3,435	46,004.955	1%
1984	13,393	8.58	2,068	2.25	4,655	62,344.415	1%
1985	13,393	8.58	2,196	2.50	5,490	73,527.570	1%
1986	20,463	9.14	2,354	2.75	6,475	132,497.925	1%
1987	24,791	9.14	2,524	2.75	6,940	172,049.540	1%
							860,247.70
							2,524,059.74

FD 01664

2607

YEAR	NO. OF SHARES	BOOK VALUE PER SHARE AT YEAR END	MULTIP- LIER	MARKET VALUE PER SHARE	MARKET VALUE OF SHARES	RATE OF MANAGEMENT FEES	AMOUNT OF MANAGEMENT FEES	
1982	7,591	6.51	1.00	1,836	13,937,076	1%	69,695.38	
1983	10,154	6.51	1,963	1.75	3,435	34,878,990	1%	174,394.95
1984	10,154	6.51	2,068	2.25	4,655	47,266,870	1%	236,334.35
1985	10,154	6.51	2,196	2.50	5,490	55,745,460	1%	278,727.30
1986	22,250	9.94	2,354	2.75	6,475	144,068,750	1%	720,342.75
1987	26,956	9.94	2,524	2.75	6,940	167,074,640	1%	935,373.20
								2,414,958.93

FD 01665

SHEIKH KAMAL ADHAAN

YEAR	NO. OF SHARES	BOOK VALUE PER SHARE AT YEAR END	MULTIPLIER	MARKET VALUE PER SHARE		MARKET VALUE OF SHARES	RATE OF MANAGEMENT FEES	AMOUNT OF MANAGEMENT FEES
				USS	USS			
1982	19,050	19.05	1.836	1.00	1,836	34,975,800	1%	174,879.00
1983	26,319	16.86	1.963	1.75	3,435	90,405,765	1%	452,028.83
1984	26,319	16.86	2.068	2.25	4,655	122,514,915	1%	612,574.73
1985	26,319	16.86	2.196	2.50	5,490	144,491,310	1%	722,456.55
1986	28,244	12.63	2.354	2.75	6,475	182,879,900	1%	914,399.50
1987	34,218	12.63	2.524	2.75	6,940	237,472,920	1%	1,187,364.60
								4,063,703.21

2608

FD 01666

MR. SAYED JAHRAY

260)

YEAR	NO. OF SHARES	BOOK VALUE PER SHARE AT YEAR END	MULTIP- LIER	MARKET VALUE PER SHARE	MARKET VALUE OF SHARES	RATE OF MANAGEMENT FEES	AMOUNT OF MANAGEMENT FEES	USS
1982	590	0.51	1,036	1.00	1,036	1,083,210	1%	5,416.20
1983	791	0.51	1,963	1.75	3,435	2,717,085	1%	13,585.43
1984	791	0.51	2,068	2.25	4,655	3,682,105	1%	18,410.53
1985	791	0.51	2,196	2.50	5,490	4,342,590	1%	21,712.95
1986	1,134	0.51	2,354	2.75	6,475	7,312,650	1%	36,713.25
1987	1,374	0.51	2,524	2.75	6,940	9,535,560	1%	47,677.80
								143,516.16

FD01667

BCCI HOLDINGS (LUXEMBOURG) SA

REPORT TO THE AUDIT COMMITTEE

10 NOVEMBER 1988



2613

MR. ABDEL HAKIM KHALIL

YEAR	NO. OF SHARES	%	BOOK VALUE PER SHARE AT YEAR END	MULTIP- LIER	MARKET VALUE PER SHARE	MARKET VALUE OF SHARES	RATE OF MANAGEMENT FEES	AMOUNT OF MANAGEMENT FEES
								US\$
1982	9,907	8.49	1,036	1.00	1,036	10,169,252	1%	90,996.26
1983	13,250	8.49	1,963	1.75	3,435	45,513,750	1%	227,568.75
1984	13,250	8.49	2,068	2.25	4,655	61,678,750	1%	308,393.75
1985	13,250	8.49	2,196	2.50	5,490	72,741,500	1%	363,712.50
1986	13,250	8.49	2,354	2.75	6,475	85,793,750	1%	428,968.75
1987	13,250	8.49	2,524	2.75	6,940	91,955,000	1%	459,775.00
								1,879,365.01

(c)

MR. A. R. KHALILSTATEMENT OF SECURITIES AS AT 31ST DECEMBER, 1987.

<u>LOCATION</u>	<u>NATURE AND DETAILS OF SECURITY</u>	<u>VALUE OF SECURITY AS AT 30.09.1987 (US\$)</u>	<u>REMARKS</u>
BCCI S.A., London	Shares of Credit and Commerce American Holdings N.V., totalling: 14,430	88,744,500	Shares valued at 90% of 2.75 times the book value as at 30th September, 1987, i.e. \$ 6,150 per share approximately

2611

FD 01

AUDIT COMMITTEE

MR ABDUL HAFEEZ

15.05

2668



BANK OF CREDIT AND COMMERCE  
INTERNATIONAL

B C C I

**Twenty-fourth Meeting of the Audit Committee  
Zurich - November 13th, 1989**

<b>Present:</b>	Dr. A. Hartmann )	Audit Committee
	Mr. J.D. van Oenen )	
	Mr. C. Cowan )	
	Mr. E.W. Hoult )	
	Mr. A. Burnett )	Price Waterhouse
	Mr. T. Charge )	
	Mr. S. Naqvi )	
	Mr. M. Rahman )	B.C.C. Group

Dr. Hartmann welcomed the representatives of Price Waterhouse and of the Bank. He stressed, once again, the need to complete the accounts well in time before the final date of March 31st. Mr. Hoult replied that there remain a number of major issues, particularly in respect of loan provisions, that are still to be resolved. Much depends on the management but he considered it desirable that these outstanding matters were finalised before the year end. He emphasized that most are basically old issues. Another factor of uncertainty, of course, is the outcome of the Tampa trial and the publicity and repercussions that could arise from this.

The Price Waterhouse report submitted is the basis of their report to the College of Supervisors that will meet on December 1st. A draft of that report was handed to the Audit Committee members. The contents will be further reviewed by and discussed with Mr. Naqvi.

General

Mr. Rahman commented that the bank has special working groups tackling all issues, except for certain specific loan provision aspects, and he was confident that a resolution will be achieved before December 31st.

Mr. Hoult observed that the main differences with management relate to Sections 1, 2 and 3 of their report (results, audit and accounting issues, and credit). There is no significant disagreement in respect of the other items. The country by country interim audit comments as listed in Appendix 2 were reviewed.

Management

Mr. Naqvi explained the new delegation of CEO's duties. The executives concerned share in the CEO's involvement. All outstanding issues are being discussed with Price Waterhouse by them, and they, in conjunction with the twelve support centres, have been given authority to arrive at a settlement with the auditors. This authority extends to sovereign risk and 'routine' LLR issues.

Section 1

8. Outlook/results

The figures for the first nine months were reviewed (see also Appendix 1 in P.W.'s report). Not all reports are in yet but already P.W. have arrived at a LLR \$17 million in excess of our estimate. Management expects an operating profit of \$229 million at year end, but P.W. anticipate a lower figure after adjustments.

9. 34/36 Specific provisions (see also App. 8)

P.W. expressed the view that the Group may be in a loss position if provisions reach last year's level, but Mr. Naqvi pointed out that there are differences of opinion, as the determination of provision levels remains a matter of judgement.

Grand Cayman appears to be the major problem. Most of the troublesome advances have been garaged there. Mr. Naqvi is primarily involved in these, as well as in the credit concentration issues, all of which demand much of his time.

As mentioned earlier P.W.'s estimate place provisions \$17 million higher than suggested by management. Also several units have yet to report. The NBO situation came as a surprise to the Auditors, but Mr. Naqvi assured the Audit Committee that it is not quite so bad and that the main problem is confined to 3 or 4 large accounts. Mr. Hoult, however, pointed out that the overall amount of \$149 million is very high. As Mr. Cowan commented, this high level is partly because the economy had deteriorated in 1989. Mr. Naqvi is having discussions with the Central Bank, and felt that the suggested provision of \$4.8 million would be sufficient. On Hongkong, Mr. Cowan mentioned that the previous year's plan had not been fulfilled.

## Section 2

### 10. Inter-branch/affiliate balances

Mr. Rahman explained that the noted \$39 million DF bank reconciliation difference was not unreasonable in view of our very high turnover and the fact that some units have different closing dates. There are no items of concern and the accounts will be fully reconciled by December 31st.

Mr. Naqvi mentioned instructions to all units to clear their suspense accounts to avoid the need for last minute adjustment

### 11/14. Accounting for interest, fees and commission

Mr. Naqvi commented on our method of suspending interest. He felt that the 90 day requirement was too rigid and that in special cases we should be allowed to exceed this period. There is not always a linkage with provisions. P.W. prepared a watch list for management information. Mr. Cowan stated that there are nevertheless non-performing loans where interest has not been suspended.

Gulf Group

It was pointed out that there could be an element of double counting in respect of the pledged shares and other assets. Mr. Naqvi promised to look into this. Mr. Cowan observed that he would like to see a floating charge over the company's assets and also that more cash-flow information is needed. Mr. Naqvi said that the bank is restructuring the account to achieve a reduction in principal. He wants to give them a long period of time. Mr. Cowan commented that Price Waterhouse basically has the same reservations as in the three previous years.

Government of Sharjah

Two instalments remain unreceived. Mr. Naqvi hoped that payment will be made. The Ruler is presently travelling, but he expects to meet him before December 31st. Mr. Cowan explained that the post-dated cheques in our possession were stopped by the Government.

Other Risk facilities and International loans

Some of the major ones, not mentioned above are listed in Appendix 7. They are, according to P.W. all of a 'problem' nature. Most were already reported in 1988. Some may need further provisioning. They are closely monitored by P.W.

Mr. Naqvi explained the Cayman items, most of which are more of a 'routine' nature, and explained that several of the International loans are partly secured. The individual account managers are following up and will discuss each item with P.W.

29. Limit excesses

Mr. Naqvi explained that the noted excesses refer to major accounts which require case by case decisions. Dr. Hartmann suggested that they require Board approval before the year end. Mr. Hoult expressed his concern about the size of the excesses.

2676

30. New loans with inadequate documentation

The total amount identified is \$73.5 million. It includes \$35 million CCAH new draw down lacking Board approval. Mr. Naqvi promised to look into the problem and expects to be able to sort it out.

32/33. Transfers of loans

Mr. Naqvi explained that the transfer of loans (mostly CCAH) from Cayman to Emirates was primarily for liquidity and regulatory reasons. There will be an interest-sharing arrangement. In view of our minority interest in Emirates, there will be a net loss of interest but not a great deal. Country risk exposure would not be affected, said Mr. Naqvi.

37/38. Sovereign risk situation (see also Appendix 5)

The bank will continue to follow the Bank of England guidelines, however, after taking specific situations into account. According to P.W. the Bank of England matrix could require a provision of \$20/40 million, but management feels that \$11 million would be sufficient in view of a number of bilateral arrangements that are operating satisfactorily. The main issue remains Nigeria where according to management a reserve of \$7 million would be sufficient.

Mr. van Oenen pointed out the increases in the provision level made by the British banks that now provide 60% or over against their exposures, and felt this would be a good time to take a conservative attitude.

39/40. General provisions

Mr. Hoult expressed his concern about the general provision level which stood at only 0.6% in 1988 and is bound to drop still further.

Section 458/60. Treasury Operations

Except for a swap contract with Hammersmith Borough Council and a trading loss in BCC Emirates, no particular problems were noted although the results are unimpressive. Discussions continue with Bank of England on the subject of a Central trading operation located in London.

Section 561/72 Taxation

It is expected that the operating profit/tax ratio will be better than in 1988, although much depends on the level (and location) of provisions to be made. Price Waterhouse have addressed a letter dated November 8th to management with suggestions on how to improve our taxation policies. It could involve the need to restructure the organisation. Mr. Rahman explained the plan to charge the overseas units with a portion of CSO expense. Mr. Naqvi commented on the reduction in the deposit subsidy to funding units from 1 to 4% p.a.

There remain a number of unresolved back issues, especially in the U.K., but also in Luxembourg and Egypt.

Section 673/80 Regulatory and compliance

The outstanding issues were discussed in some detail. On the whole, the compliance issues are being resolved.

Section 781/88 Internal controls

Price Waterhouse's observations were noted.

Appendix 3 & 4

Reviewed.

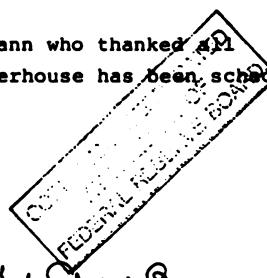
Capital adequacy

This issue was discussed in a separate session with Mr. Hoult and Mr. Naqvi. Price Waterhouse noted some potential problems, arising from a recent capital restructure. Mr. Naqvi mentioned that we had followed a more complex formula than was strictly necessary and the regulators will be fully advised in a separate context. P.W. confirmed that our capital remains adequate under the existing regulations.

The general meeting was closed by Dr. Hartmann who thanked all participants. A new meeting with Price Waterhouse has been scheduled for January 10, 1989.



Dr. A. Hartmann


Mr. J.D. van Oenen

## B C C I

**Fourteenth Meeting of the Audit Committee  
10th March, 1988**

**Meeting with the External Auditors Price Waterhouse**

<b>Present:</b>	Dr. A. Hartmann	)	Audit Committee
	Mr. J.D. van Oenen	)	
	Mr. E.W. Hoult	)	Price Waterhouse
	Mr. A. Burnett	)	
	Mr. C.I. Cowan	)	
	Mr. S. Naqvi	)	BCC Group Management

**Review of Price Waterhouse's report**

Mr. Hoult opened the discussion by pointing out the changing role of external auditors as a result of the developments that are taking place in the financial and the regulatory field. He made it clear that any critical observations in their report are meant to be of a constructive nature.

A wide-ranging review of the bank's results and operations then took place. Where needed Mr. Naqvi, representing the management, provided further clarification.

Following the attached agenda, matters of specific importance were discussed.

**(1) (2)**

Mr. Hoult reiterated his concern about the bank's large exposures and risk concentration. Loans in excess of \$25 million represent one third of the portfolio and the bank is too dependent on the income. The regulators are aware of this and some comments may be expected, particularly where there are excesses over the limit. Mr. Cowan added that PW requires a better understanding of some loans and the need for more complete credit files. PW would like to see reduction in certain loans such as the Gokal group.

Mr. Naqvi commented that arrangements are being made to record in detail discussions with such customers for PW information. Most of the excesses have meanwhile been reduced.

CCAH security has been valued by PW at \$6150 per share, i.e. 90 % of 2.7 times book value.

- 2 -

(3) (4)

The extent of specific, general and country provisions were discussed at length and Mr. Hoult indicated that PW, after reviewing most large loans around the world, felt comfortable with the specific figure of \$429 million. This includes \$20 million provisions in Hongkong and Egypt that should have been made in 1986. Mr. Naqvi indicated that a system is being developed to forewarn management of potential loan problems in good time in the future.

General Provisions now stand at 1 % of risk assets, not counting G.M.'s and loans secured by deposits. Mr. Hould would like to see a further increase, later, up to \$150 million (equalling 50 % against Gokal). Mr. Naqvi indicated an initial target of 1.25 %.

Country risk provisions which to some extent are based on Bank of England guidelines, were discussed in detail. The figure of \$73 million arrived at, nevertheless, is not being allocated to any specific countries. Some reduction is taking place in the Sudan exposures which explains the exclusion of certain debt. Mr. Hoult was not quite sure whether our Nigeria calculation is in accordance with Bank of England thinking.

(5)

The disappointing Treasury results and the losses incurred outside the Central Treasury were reviewed. A senior officer to take charge of the Treasury has been recruited from outside. There is an obvious need for much closer central supervision and the establishment of peripheral limits.

The tax aspect is of great importance, especially when 1 % is being paid over cost of funds to units in high tax countries.

There is a market value shortfall of \$100 million in the Investment Portfolio, but prices have since somewhat improved. G.M.'s are included in the loan portfolio at cost.

Dr. Hartmann stressed the need to spell out our investment objectives more clearly to those institutions that have been entrusted with fund management.

Concern was expressed about some non-bank and other unauthorized trading activities which invariably seem to have led to losses. The major difficulties originated in Luxembourg, Italy and Hongkong. Mr. Naqvi stated that the problems there are being further investigated. Dr. Hartmann suggested that the Internal Audit Dept. should keep a close watch over such activities and report non-compliance.

- 3 -

(6)

Local audit delays were experienced in some locations outside PW control. Matters of group significance were listed by PW and reviewed in some detail.

(7)

Financial control difficulties reported by PW were reviewed. The main problems seem to be related to the Treasury, already reviewed under (5) above. Other areas where improvements in controls was necessary were pointed out by PW.

(8)

BCC SA tax provision appears to have been conservatively estimated, but PW felt that this is off-set by various unresolved issues with Inland Revenue. No decision can be expected in the immediate future as all foreign banks are involved. According to Mr. Hoult we may perhaps be in a somewhat better position than the American banks in London.

#### Outstanding Issues

1. Capital adequacy may be affected by the ICIC situation as the Regulators could treat BCC and ICIC as one entity.

Mr. Naqvi again explained the historical relationship and the two main aspects in this operation. Arrangements will be made to solve these. Mr. Hoult mentioned that the matter will have to be addressed in PW's report to IML. He understands the problem, but legal justification is needed.

2. The related party situation which had been reviewed at length at our previous meeting was further discussed, as well as the Note to the accounts dealing with this subject.

3.

- n
4. Other items discussed included the situation in Kenya and in Egypt; as well as the regulations in respect of investment activities conducted in the U.K. A co-ordinator has been appointed in London.

- 4 -

#### Review of draft Financial Statements

Discussed the changes that have taken place since the review of 22nd January, 1988. Mr. Naqvi commented on the few items, most of a technical nature, which were listed by PW as still outstanding. They should be resolved very shortly (the accounts of BCCI Financial Services will eventually be transferred outside the Group).

Our accounts have been presented in the format required under the new I.A.S. which needed re-statement of the 1986 figures. PW submitted a list of the many adjustments that had been necessary to the first provisional operational profit figures which resulted in a final reduction from \$191.3 million to \$185.4 million.

The various Notes to the accounts were reviewed, in particular those relating to provisions, their treatment in the accounts, taxation, property revaluation, investment portfolio presentation and segment information. Mr. Naqvi commented on the group profits, for the year, which were affected by the disappointing Treasury results and foreign exchange fluctuations which a.o. adversely influenced salaries and related costs to the tune of \$16.7 million. The individual bank unit contributions to the overall profit were reviewed in detail.

Some discussion ensued relating to the various ratios as calculated by PW which would show a 5 % reduction in liquidity (because of the omission of CD's) and a drop to 7.48 % in the capital/asset ratio. Mr. Naqvi confirmed that the bulk of our liquidity is maintained in convertible currencies.

#### Management Issues

Mr. Hoult emphasized the need for close controls and monitoring, and again pointed out the need for stronger internal management support to Mr. Naqvi. The latter mentioned that the strengthening of Central Management is receiving full attention and proposals will be presented to the Board as part of a ten-year plan. These will include internationalisation of the management which will require major cultural changes. Discussions are also taking place on more technical support, and on strengthening computerisation and systems and administration. Future strategy will focus on four geographic areas: U.K./Europe; Far East; Canada and U.S.A.

Mr. Hoult commented on the report to be presented by PW on the appropriate internal audit structure, which will require senior management input and time. It will be ready in June. It is hoped that the Internal Audit Department will submit more frequent reports in a form that would enable PW to rely on them more fully. This would reduce cost. Mr. Hoult also suggested that the Audit Committee's role should be expanded to cover all aspects of compliance and internal control.

- 5 -

**Other matters**

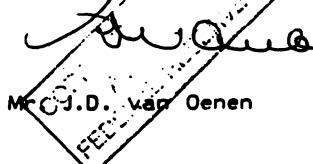
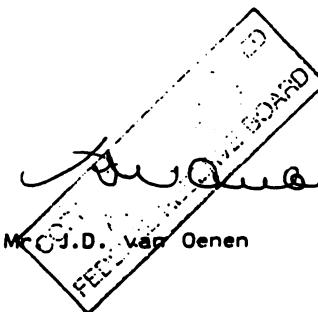
Mr. Hoult was pleased with the formation of and the co-operation received from the Audit Committee. He saw it as an important bridge between PW and the Board.

Dr. Hartmann thanked Mr. Hoult and his colleagues for their co-operation and, accepting that this was PW's first full group audit, expressed the hope that there will be scope to streamline audit procedures increasingly in the future.

A meeting between PW and the Audit Committee will be arranged in May to review the IML report.



Dr. A. Hartmann



Mr. C.J.D. van Oenen

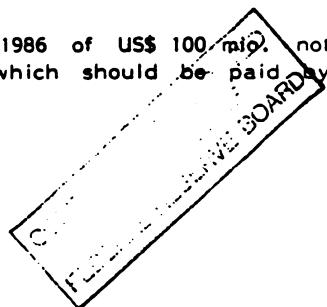
**Provisions**

End of 1985 BCCI had provisions of a total of US\$ 376 mio.

In these provisions a general provision of US\$ 55 mio. was included which makes the specific provisions of US\$ 321 mio.

To these existing provisions have to be added	US\$ 321 mio.
- specific provisions agreed with management	US\$ 36 mio.
- specific provisions not yet agreed with management	US\$ 63 mio. -----
Total specific provisions	US\$ 420 mio.
General provision	US\$ 50 mio. -----
<b>Total provisions</b>	<b>US\$ 470 mio.</b> <b>*****</b>

This means a provisional increase for 1986 of US\$ 100 mio. not taking into consideration the interests which should be paid by Sharjah.

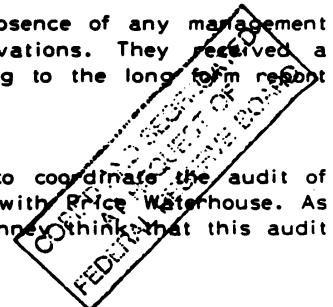


- 5 -

OTHER REMARKS OF THE EXTERNAL AUDITORS

1. KIFCO (Kuwait) had on 30th September, 1986 outstanding loans of US\$ 150 mio. (in August 1986 US\$ 270 mio.). Though their position is not consolidated, the auditors regard KIFCO as part of the group. They expressed some concern about the loan book and would like to know more about the company.
2. The External Auditors need more information about Banque de Commerce et de Placements S.A., Geneva. Dr. A. Hartmann informed them about the legal steps to be taken to get the desired information.
3. The BCCI Staff Benefit Fund has no legal personality. A trust should be formed and rules set up.
4. Tax position: Ernst & Whinney expressed some reservations about the feasibility of the proposed US\$ 40 mio. reversal.

The External Auditors mentioned the absence of any management reply in respect of their 1985 observations. They received a letter from IML two weeks ago referring to the long term report about BCC S.A.

- 
5. Ernst & Whinney mentioned the need to coordinate the audit of the treasury operation in Abu Dhabi with Price Waterhouse. As Abu Dhabi belongs to SA, Ernst & Whinney think that this audit falls in their responsibility.
  6. The auditors discussed future regulatory requirements in respect of internal controls and the maintenance of appropriate accounting records.
  7. Regarding regulatory requirements Ernst & Whinney mentioned
    - the restructuring of BCC, Great Britain
    - the letter of the Canadian regulatory authorities dated 10th October, 1986
    - the necessary special license for the treasury activities in Abu Dhabi.

- 6 -

8. The auditors mentioned the fraud in the National Bank of Oman of US\$ 800'000 and of Kenya of US\$ 300'000. In India the traveller checks seem to present some difficulties.
9. The auditors had the same observations on ICIC and BCCI Staff Benefit Funds as Price Waterhouse.
10. They expressed the need for a formal plan to enhance management quality through restructuring, training and outside recruitment.
11. Reverting to their letter of May 1986 Ernst & Whinney mentioned the following points:
  1. Coverage is still unsatisfactory and unchanged.
  2. The internal control is good in U.K., unsufficient outside.
  3. The auditors think that the bank needs more executive directors. Although there has been some improvement, it is felt that there remain weaknesses in the reporting and monitoring systems.

*O. J. Almada*

BCC GROUP

CONFIDENTIAL

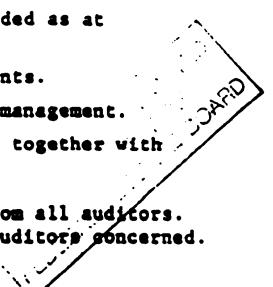
## RISK FACILITIES - PROVISIONAL ASSESSMENT

AT 30 SEPTEMBER 1986

## 1. Introduction

- 1.1 This provisional assessment of the group's risk facilities is based on reports made to Ernst & Whinney by auditors, in accordance with the Audit Administration Manual, and on reports received from Central Credit Division.
- 1.2 Central Credit Division has supplied us with reports as at 30 September 1986 covering country risk, sovereign risk and credit risk concentration.
- 1.3 The Audit Administration Manual requests auditors, inter alia, to:
- Conduct a review of credit facilities recorded as at 30 September 1986.
  - Form a view on specific provision requirements.
  - Endeavour to agree these requirements with management.
  - Report to us the conclusions of their work, together with supporting details.

Reports have not been received at this time from all auditors. We are continuing to seek responses from the auditors concerned.



## 2. Scope and objectives of this report

- 2.1 The information supplied by Central Credit Division has been reviewed, but not audited, by ourselves. The review of credit facilities conducted by auditors does not constitute an audit in accordance with generally accepted auditing standards and was conducted as part of their procedures designed to express an opinion on the accounts of each group company as at 31 December 1986. Accordingly, this report does not constitute an opinion as to the accuracy or completeness of the group's credit risks and should not be relied upon for this or any similar purpose.
- 2.2 It should also be appreciated the information in this report is of a provisional nature and may be influenced by the contents of reports not yet received, by information requested of management and by developments subsequent to the date of this report.
- 2.3 Accordingly, the objective of this report is to give management a preliminary indication of the extent of facilities at risk and of the related specific provision requirements.

3. Geographic risk

- 3.1 Schedule 1 sets out a summary of geographic risk as at 30 September 1986 to those countries where, in our view, political or economic considerations increase the risk profile. We draw your attention to Note 1 to this schedule which explains that certain risks are not included. Accordingly, the level of risk is understated to that extent.

- 3.2 In comparison to the position at 31 December 1985, it appears that there has been reduction in the exposure to Nigeria and Egypt which accords with our general understanding. There also appears to be a reduction in the Saudi and Kuwait exposure which we cannot readily reconcile and enquiries are in progress. The new exposure to Peru and increased exposure to Zambia is notable.
- 3.3 In our view, the incidence of risk to these countries is an important environmental factor in considering the general quality of assets. Moreover, the degree of risk is more volatile for these countries and may therefore change more rapidly. In our view this risk volatility is particularly notable in Bangladesh, Egypt, Nigeria, Phillipines, Sudan and Zambia.
- 3.4 We believe these circumstances should be reflected in the group's approach to provisioning as follows:
- (a) Facilities to comercial counterparties should be assessed with additional caution. In particular, the absence of scheduled repayments or reasonable account activity should be grounds for establishing specific provisions unless adequate tangible security is available to the group.
  - (b) Subject to our comments in Section 4, facilities to bank or sovereign counterparties should be assessed separately in formulating the level of general provisions. In particular, we consider amounts of general provision should be specifically set aside to recognise the higher risk profile of these facilities.

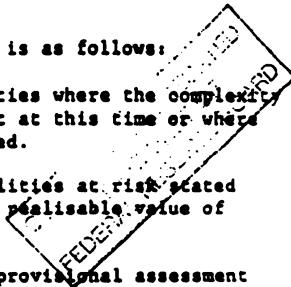
#### 4. Sovereign risk

- 4.1 Schedule 2 sets out separately the sovereign risk exposure within the geographic risks reported in Schedule 1.
- 4.2 In comparison to the position at 31 December 1985, it can be seen that most exposures are static but it is noteworthy that the exposure to Nigeria has reduced considerably and that to Zambia increased substantially.
- 4.3 Whilst we generally consider it appropriate to recognise the risks in these exposures by allocated general provision [see Section 3.4(b)], we consider currently that a specific provision is appropriate for the group's sovereign exposure to Sudan. In 1985, the main part of this exposure was subject to an allocated general provision of \$4 million; being 20% of the exposure of \$20 million. As described in Section 6, our provisional view is that a specific provision of 75% is now appropriate.

#### 5. Risk concentration

- 5.1 Schedule 3 sets out an analysis of major credit exposures at 30 September 1986.

- 5.2 We have previously reported our concerns as to the level of risk concentration in the Group. In comparison to the position at 31 December 1985, it can be seen that this is still a major feature of the credit risk profile and shareholders still figure prominently amongst such customers. Audit procedures to confirm appropriate authorisation of these facilities are not yet complete.
- 5.3 In our view, this circumstance presents a significant latent risk to the group. We take this view because experience demonstrates that circumstances can arise in which loan losses are experienced even though credit monitoring is generally of a high quality, the borrowers track record had been excellent historically and tangible security is substantial. These circumstances commonly arise through circumstances outside the control of the lender or the borrower. Practical examples include the occurrence of uninsured catastrophes; changes in the economic or political climate or amendments to law affecting the exercise of security.
- 5.4 For these reasons, we consider that this latent risk should be recognised in assessing the general provision requirement by setting aside sums at a higher level for the latent risk in those facilities which exceed, say, \$100 million.
6. Specific provisions
- 6.1 Schedule 4 sets out a provisional summary of those reports received from secondary auditors of facilities at risk and related provision requirements.
- 6.2 The key information reported on the schedule is as follows:
- \* Facilities under discussion - being facilities where the complexity of the position has prevented an assessment at this time or where auditors wish unpaid interest to be reserved.
  - \* Potential shortfall - being aggregate facilities at risk stated net of reserved interest and the estimated realisable value of security.
  - \* Specific provisions - being each auditors provisional assessment at 30 September 1986 of the specific provisions required; distinguishing between those agreed with the local management and those not agreed.
  - \* Specific provisions at 31 December 1985 - being those provisions regarded by auditors as specific as at 31 December 1985, adjusted for exchange movements in 1986.



- 6.3 A provisional indication of the impact of specific provisions in 1986, and of key outstanding matters, is set out below:

	Provisional requirement in 1986
	\$M
- Guarantees	9.5
Assumes no new guarantees issued in 1986 and no further provision required against guarantee issued to UK region on facility of \$12.6M.	
- SA	35.3
Assumes concerns on three facilities totalling \$80 million are resolved, interest is paid or reserved on two Middle East facilities and further discussions confirm E&W's view that a 75% specific provision (\$14 million) on Sudan is appropriate.	
- Overseas	10.4
Assumes 'other locations' (which do not report until January) require no further specific provisions in 1986. Assumes a series of significant repayments due before year end are received and certain additional security is also received.	
- Other subsidiaries	42.3
Assumes those that have not reported require no further specific provisions in 1986. Assumes no further guarantees received from other group companies.	

- 6.4 We stress again that this assessment is provisional both by virtue of the assumptions referred to above and because of the matters referred to in paragraph 2.2.

#### 7. General provisions

- 7.1 Schedule 4 sets out the general provisions maintained by the group at 31 December 1985, based on auditors assessments at that time. These provisions aggregate to approximately \$50 million.

- 7.2 As you are aware, the auditors of Overseas were concerned about the level of general provisions at 31 December 1985 in that bank and we understand specific assurances were given by management in this regard. Moreover, we expressed reservations at that time as to the degree of latent risk in Overseas, Emirates and MISR and recommend larger provisions be established.

- 7.3 In reviewing the position this year, our concerns remain. In particular Section 3.4 and Section 5.4 of this report make proposals as to the assessment of latent risk in certain country risks and in large exposures.
- 7.4 Clearly, it is too early in the audit process to formulate any recommendations. Nevertheless, it is relevant to note that, on a simplified approach, a general provision of 1% of the aggregate group advances at 30 September 1986 would require a general provision of approximately \$70 million compared to the existing provision of \$50 million. Such a calculation is over simplistic and does not take into account the need to deal separately with country and large exposure risks as mentioned previously.

FEDE

*Ernst & Whinney*

Ernst & Whinney  
5 December 1986

BCCI GROUP

SCHEDULE 1

## GEOGRAPHIC RISK

	Total				Analysis of 1986 Risk	
	Sept 1986 \$M	%	Dec 1985 \$M	%	Cross Border \$M	Local Loans \$M
Bahrain	500	3	590	3	267	233
Kuwait	146	1	275	2	146	-
UAE	1,612	9	1,530	9	271	1,341
Saudi Arabia	342	2	603	4	342	-
Oman	653	4	815	5	34	619
Total Middle East	3,253	18	3,813	23	1,060	2,193
Bangladesh	108	1	169	1	27	81
Egypt	380	2	447	3	141	239
Nigeria	529	3	850	5	195	334
Peru	23	0	-	-	23	-
Phillipines	66	0	69	-	66	-
Sudan	95	1	105	-	72	23
Zambia	101	1	55	-	71	30

## GROUP

Aggregate advances	7,224	6,842
Aggregate inter bank placements	6,593	6,398
Aggregate contingent risk	4,010	3,793
Total risk	<u>17,827</u>	<u>17,033</u>

## NOTES

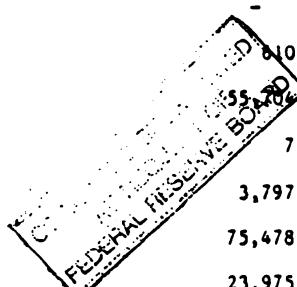
1. The risk amounts do not include local contingent risk or local inter bank placements since this data is not readily available. There are significant amounts of such risk in the Middle East.
2. The percentages given are in relation to total risk.
3. Source : Unaudited data supplied by Central Credit Division  
           : Consolidated financial information supplied by Group Accounts Division.

BCCI

SCHEDULE 2

## SOVEREIGN RISK

	\$000	
	December 1985	September 1986
Loan domiciled at:		
Argentina	500	566
Bangladesh	6,429	5,893
Brazil	4,741	4,345
Costa Rica	1,160	1,201
Cuba	1,440	1,440
Mexico	5,789	5,799
Nigeria	156,537	72,460
Peru	-	22,567
Poland		648
Philippines		60,611
Romania		3
Somalia	3,797	2,828
Sudan	75,478	67,020
Turkey	23,975	26,152
Venezuela	2,175	2,273
Zambia	-	46,319
	<u>388,342</u>	<u>320,125</u>



Source: Unaudited data supplied by Central Credit Division.

BCCS GROUP

SCHEDULE 4

## FACILITIES AT RISK- AS AT 30 SEPTEMBER 1986

	Facilities under discussion	\$M	Potential Shortfall	Specific Provisions		Specific Provisions 31.12.85 \$M
			December 1985	September 1986	Agreed \$M	
<b>Guarantees:</b>						
By Holdings	12.6*	65.5	64.0	54.5	5.5	54.5
By Overseas		35.5	35.5	31.5	4.0	31.5
				<u>86.0</u>	<u>9.5</u>	<u>86.0</u>
<b>SA:</b>						
- Luxembourg	15.1	N/A	27.0	10.6	2.7	11.1
- Middle East	318.0	N/A		30.6	15.0	28.2
- UK	12.6*		27.2	20.5	16.1	21.5
- Other	Nil	N/A	8.2	7.3	0.3	7.2
				<u>69.0</u>	<u>34.1</u>	<u>68.0</u>
General provision						25.0
Total provision						<u>93.0</u>
<b>Overseas:</b>						
- Cayman	42.0	60.4	17.3	Nil	15.7	
- Major locations	24.0	33.6	16.0	4.7	11.9	
- Other locations	67.7		45.0			45.0
(No report)				<u>78.3</u>	<u>4.7</u>	<u>72.6</u>
General provision						11.8
Total provision						<u>84.0</u>
<b>CFC</b>	No report			4.9		4.9
Lebanon	No report			1.8		1.8
Swaziland	No report	0.9		0.1		0.1
Nigeria		20.9	19.6	19.6	Nil	15.4
Oman		36.5	42.1	14.8	Nil	11.8
Ghana	No report			Nil		Nil
Canada		2.9	8.3	2.4	5.8	2.4
<b>Finance</b>						
(Hong Kong)		29.2	23.3	8.4	Nil	4.9
Hong Kong		125.7	123.8	21.0	Nil	12.5
Zimbabwe		0.2	0.3	0.3	Nil	0.2
Zambia	No report					
Kenya		1.2	1.0	0.2	0.7	0.1
Egypt	(Provisional)			11.9	8.0	11.9
Italy	No report	1.7		0.3		0.3
Cameroon			N/A	3.5	Nil	1.9
Emirates			N/A	23.2	Nil	17.7
Spain		4.4	1.7	9.8	3.1	1.5
Colombia	No report				8.2	8.2
Botswana		Nil	0.1	0.1	Nil	0.1
Uruguay		Nil	Nil	Nil	Nil	Nil
Niger	No report					Nil
Gibraltar	No report					Nil
Indonesia		Nil	Nil	Nil	Nil	Nil
Australia		Nil	Nil	Nil	Nil	Nil
				<u>123.5</u>	<u>14.5</u>	<u>95.7</u>
260 General provision						12.4
Total provision						<u>108.1</u>

- 2 -

Discussion of remarks made by the External Auditors

1. The External Auditors do not consider the quality of the presentation of credit proposals to be always sufficient. Mr. I. Ahmed mentioned that improvement has to be primarily looked for in the field. The credit division now consists of 60 officers.
2. The External Auditors consider that no new credit commitments should be made by local management before approval by central management or the Board. Such an approval should be made before disbursement of the credit. If necessary the agreement of central management or the Board can be requested by telex or fax.
3. According to the opinion of the External Auditors credits made by branches should be more actively monitored. The establishment of a separate department for reviewing credits would be of great help. Mr. I. Ahmed mentioned the creation of regional credit offices beside the central auditors.
4. Central Credit Committee

According to the External Auditors the Central Credit Committee is of good quality and screens credits very well. Mr. I. Ahmed informed the Audit Committee that a smaller sub-committee has been established.

The activity on the credit officers' and committees' competence is laid down in a number of manuals.

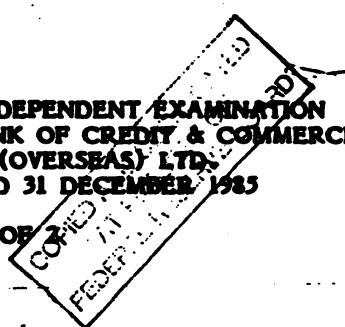
*Obaidullah*

NAME OF THE INVESTORMANAGEMENT FEEIN US\$

1. <b>Mashriq Holding Co</b>	<b>2,377,623.71</b>
2. <b>H.H. Sheikh Humaid Bin Rashid Al Naomi</b>	<b>1,650,517.78</b>
3. <b>H.E. Mr. Faisal Saud Al Fulaij</b>	<b>2,524,059.74</b>
4. <b>H.E. Mr. Ali Mohammed Shorafa</b>	<b>2,414,858.93</b>
5. <b>H.E. Sheikh Kamal Adham</b>	<b>4,063,703.21</b>
6. <b>Mr. Sayed Jawhary</b>	<b>143,516.16</b>
7. <b>Mr. Abdul Raouf Khalil</b>	<b>1,879,365.01</b>
	<hr/>
	<b>15,053,644.54</b>
	<hr/>

COMMENTARY ON THE INDEPENDENT EXAMINATION  
OF THE ACCOUNTS OF BANK OF CREDIT & COMMERCIAL  
INTERNATIONAL (OVERSEAS) LTD.  
FOR THE YEAR ENDED 31 DECEMBER 1985

VOLUME 1 OF 2



*Price Waterhouse*

P.O. Box 258  
First Home Tower, British American Centre  
Grand Cayman, B.W.I.

Telephone 809 949 2944  
Telex CP 2914 329  
Telecopier 809 949 7352

## Price Waterhouse



28 April 1986

The Board of Directors,  
Bank of Credit and Commerce  
International (Overseas) Ltd.,  
P.O. Box 1359,  
Grand Cayman,  
B.W.I.

Dear Sirs,

We have pleasure in submitting our commentary on the independent examination which we have made of the accounts of Bank of Credit and Commerce International (Overseas) Ltd. ("the Bank") for the year ended 31 December 1985. This commentary has been prepared at the express wish of yourselves and of the Institut Monetaire Luxembourgeois ("IML") and should be read in conjunction with our Report on Treasury Activities dated 18 March 1986. In addition, we have reported on certain major loan exposures in connection with the report of the Group Auditors to the IML. We remain at your disposal to provide any additional information or explanations which either the regulatory authorities, yourselves or management of the Bank may require.

We would like to emphasise that our examination of the accounts of the Bank was carried out with the objective of expressing an opinion on those accounts taken as a whole and not on the accounts of any of the branches standing alone. Our examination was based on our evaluation of the systems of internal accounting and other controls in order to establish a basis of reliance thereon in determining the nature, timing and extent of other auditing procedures required for expressing an opinion on the accounts.

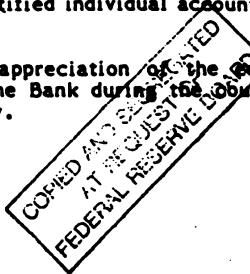
The extensive data included in the commentary has been extracted from the accounting and related records of the Bank which we reviewed and tested in completing our examination of the Bank's accounts. In this connection we have placed reliance upon the results of our audit as to the basic reliability of the Bank's accounting and related records and, in addition, we have tested the financial and other data included in this report against the Bank's records.

As you are aware, The Confidential Relationships (Preservation) Law of the Cayman Islands embodies in statute the duty of non-divulgence of information imparted under conditions of professional confidence. Accordingly, to ensure that both the Bank and ourselves comply with the intent of the law, we have omitted reference to the names of customers in Schedules B and C who have accounts at Head Office, and have identified individual accounts by means of a reference number.

In closing, we wish to express our appreciation of the courtesy and co-operation extended to us throughout the Bank during the course of the audit and the preparation of this commentary.

Yours faithfully,

PRICE WATERHOUSE



5.3.3 Due from affiliates comprises demand and term accounts with other group banks maintained in the normal course of business at prevailing market rates of interest.

5.3.4 Due from financial institutions comprises demand and term accounts with finance houses, investment companies and brokerage houses. The increase over the prior year figures is largely attributable to the existence of significant balances with two major brokerage houses.

#### 5.4 Loans and advances

5.4.1 Loans and advances are stated in the balance sheet after deduction of \$ 115.9m (1984 \$ 88.3m) as a provision for possible loan losses (see Para. 5.5) and consist primarily of short to medium term trade related financing together with investment financing for selected international clients. The loan portfolio may be summarised by region, after deduction of interest in suspense, as follows:

	1985 \$m	1984 \$m
Head Office	983.9	685.5
Latin America Region	187.7	174.2
Caribbean Region	124.6	112.1
Africa I Region	227.1	196.7
Africa II Region	79.1	76.7
Middle East Region	150.2	122.4
Far East Region	171.5	156.7
South Asia Region	273.9	192.0
India Region	106.3	41.3
 Loan loss provision	 2,304.3	 1,757.6
	( 115.9 )	( 88.3 )
	<hr/> \$2,188.4	<hr/> \$1,669.3

COPIED FROM THE  
EXECUTIVE BOARD  
MEETING

5.4.2 There has been a 31% growth in the gross loan portfolio compared with the prior year. The principal features of the changes in the regional composition are described in the following paragraphs.

#### 5.4.3 Head Office

	1985 \$m	1984 \$m
Grand Cayman	983.9	685.5

The loan portfolio in Grand Cayman has historically included facilities for many of the major clients of the Bank. The increase in loans during 1985 has almost entirely resulted from the granting of new facilities to established Middle Eastern clients together with a major trade related facility to a Government Agency of an African country.

NNK

The overall increase of about \$ 15m in the region is largely due to the significant increase of \$ 19m in Macau offset by a decrease of \$ 6m in Korea. The operation in Macau is now in its third year and, in addition to a base portfolio of loans originating from BCC Hong Kong, has developed a portfolio of offshore and trade related accounts. A significant proportion of the new facilities are backed by term deposits which have been pledged to the Bank as security. The decrease in loans in Korea is largely due to the withdrawal of facilities from a number of local clients.

#### 5.4.10 South Asia Region

	1985 \$m	1984 \$m
Maldives	3.4	3.1
Pakistan	234.0	154.4
Sri Lanka	36.5	34.5
	<hr/> \$ 273.9	<hr/> \$ 192.0

The overall increase of about \$ 82m is almost entirely due to the expansion in the loan portfolio in Pakistan. During 1985 the State Bank of Pakistan allowed increases in the credit ceiling provided such increases were backed by foreign currency deposits or Special National Fund Bonds. The Bank has taken full advantage of this relaxation of the regulations and significant new facilities have been granted to local clients. The necessary foreign currency deposits have been obtained from individual clients and from Grand Cayman Head Office.

#### 5.4.11 India Region

	1985 \$m	1984 \$m
India	<hr/> 106.3	<hr/> 41.3

The branch in Bombay has now completed its second full year of operations and has achieved a very significant growth in both assets and profitability. A large number of new clients have been granted facilities including major local corporations.

### 5.5 Loan loss provision

5.5.1 During the course of our audit we place great emphasis on our examination of the loan portfolio in order to assess the quality of the loans and the adequacy of the provision for possible loan losses. Our work includes reviewing the creditworthiness of a large number of the Bank's clients throughout the world and as a part of this work we look not only at the operational aspects of each individual account but also at the underlying resources of each client and the value attached to any collateral held by the bank as security. We pay particular attention to major exposures and identified risk facilities and discuss these extensively with management. Our examination also includes a thorough review of the authorisation and monitoring procedures adopted by the Bank and the adherence of local management to these procedures.

MINUTES OF THE MEETING WITH PRICE WATERHOUSEON 14 JANUARY 19881. GRP

- 1.1 Confirmation required as to when the fee of US\$11.0M was debited to the deposit account of the proceeds of the sale of NBGFC.
- 1.2 In reply to his enquiry, Mr. Chapman was informed that GRP did not borrow US\$29.0M from us to invest in Eurotunnel.
- 1.3 Audited balance sheets for 1986 of the following companies to be provided to P.W.:
  - (a) Pharaoh Holdings Ltd
  - (b) Interbulk Transport Co.
  - (c) Sobek International
- 1.4 Mr. Chapman insisted on the payment of interest and loan fees on all loans by the end of February 1988.
- 1.5 The total loans outstanding should either be brought within the approved limit, or in case EOL remains outstanding should be supported by additional securities.
- 1.6 EOL as at 31.12.1987 was US\$39.0M compared to US\$22.0M as at 31.12.1986

2. CCAH

- (a) PW have requested for a complete list of shareholders as at 31 December 1987.
- (b) Are there any agreements amongst the shareholders re: shares to be held as security for borrowing by third parties?

: 2 :

2. CCAH (contd)

- (c) Valuation of the shares as at 30 September 1987 and 31 December 1987.

2.1 MASHRIQ HOLDING CO./RULER OF FUJEIRAH

- 2.1.1 EOL as at 31.12.87 was US\$124.0M compared to US\$101.0M as at 31.12.86

- 2.1.2 It was noted by PW that total amount of US\$8.0M received in the loan accounts in Cayman and Luxembourg, does not service the interest accrued during the year.

2.2 MESSRS CLIFFORD AND ALTMAN

- 2.2.1 Payments received during 1987 did not service the interest accrued. Are additional funds expected?

2.3 PSF

- 2.3.1 EOL to be reduced by end of February 1988.

2.4 ARK.

- 2.4.1 Shares under transfer to be transferred to secure the loan.

- 2.4.2 Memorandum of Deposit of Stocks and Shares to be signed by the borrower.

MR ALTMAN'S TELEPHONE MESSAGE:

- (1) SKA has requested for employment of the Deputy Chief of Executive of Allied Arab Bank in FAB.
- (2) H.E. had requested for meetings between FAB, BCCI and SKA to be held twice a year. The first meeting was scheduled for April 1988, and postponed to June 1988. SKA requests for this meeting (in June 1988) to be held in London if necessary. Could you spare couple of hours for this meeting?
- (3) Rights offer was planned for 1989. The Fed, however, has asked for an increase in capital between US\$ 15 Million and US\$ 20 Million to improve the ratio of tangible capital to total assets of FAC. (Fed defines tangible capital as equal to total capital less goodwill).

Mr Altman suggests that CCAH borrows the above amount either from its shareholder(s) or from BCCI or any other company and contributes the funds as capital to FAC via CCAI. As the goodwill needs to be amortised against net income, the annual income in retained earning would not be sufficient to improve the ratio.

- (4) The loan from BAI needs to be refinanced as it is proving expensive. Does this needs to be discussed with Mr Lamerche?

BANK OF CREDIT AND COMMERCE  
INTERNATIONAL (OVERSEAS) LTD.

AUDIT INSTRUCTIONS

YEAR ENDING DECEMBER 31, 1983

BANK OF CREDIT AND COMMERCE INTERNATIONAL OVERSEAS LTD.AUDIT INSTRUCTIONS - YEAR ENDING DECEMBER 31, 1983CONTENTSParagraph

- 1 Scope of examination
- 2 General audit approach
- 3 Group information
  - (a) Affiliated companies
  - (b) Branches
  - (c) Accounting policies
  - (d) Accounting systems and procedures
  - (e) Management organisation
  - (f) Internal audit
  - (g) EDP systems
- 4 Audit considerations
- 5 Reporting requirements of P.W., Grand Cayman
- 6 Administration
  - (a) Timetable
  - (b) Audit fees
  - (c) Price Waterhouse personnel

**BANK OF CREDIT AND COMMERCE INTERNATIONAL (OVERSEAS) LTD.**

**AUDIT INSTRUCTIONS - YEAR ENDING DECEMBER 31, 1983**

**CONTENTS**

(Continued)

**Appendix**

- 1           Suggested format of opinion
- 2           List of Affiliated companies
- 3           List of Branches
- 1982 financial statements
- 5           Audit information report
- 6           Audit timetable
- Interpretation and practical application of the Group Accounting Policies and Practices
- 8           Sample management representation letter
- 9           Sample legal letter
- 10          Analysis of premises and equipment
- 11          Loan loss provision
- 12          Taxation provision
- 13          Summary of circularisation statistics

BANK OF CREDIT AND COMMERCE INTERNATIONAL (OVERSEAS) LTD.AUDIT INSTRUCTIONS - YEAR ENDING DECEMBER 31, 19831. Scope of examination:

We request that your examination be made in accordance with auditing standards generally accepted in the United Kingdom and be planned to be sufficiently extensive to enable you to report without restriction as to scope in the client prepared Accounting Statements of the company's branches in the country/region being examined by yourselves at December 31, 1983 and for the year then ended, subject to the following materiality levels for reporting possible adjustments to the company's audited financial statement captions, including note disclosures thereon:

- |    |                                      |             |
|----|--------------------------------------|-------------|
| a) | Asset and liability reclassification | US\$500,000 |
| b) | Income and expenses reclassification | US\$250,000 |
| c) | Adjustment to profit after taxation  | US\$100,000 |

N.B. The above materiality levels apply to the classifications used in the published accounts and not to individual general ledger headings.

The suggested form and content of the audit opinion that we should like to receive is set out in Appendix 1.

1. General audit approach:

In order to facilitate completion of the audit, clearance of the financial statements in accordance with the client's requirements, and highlight potential problem areas at an early date, we request that you perform your detailed examination as at September 30, 1983 and for the nine months then ended, followed by an update review at December 31, 1983 and for the three months then ended.

The September 30, 1983 examination should be planned to provide you with the necessary assurances on the client's systems, procedures and accounting records to enable you to rely upon these as a basis for performing the three month update examination to December 31, 1983.

The scope of your examination covering the period from October 1, 1983 to December 31, 1983 should be planned to ensure that significant transactions and balances not previously examined are subjected to standard auditing procedures.

1. Group information:a) Affiliated companies

Bank of Credit and Commerce International (Overseas) Ltd. is a wholly-owned subsidiary of BCCI Holdings (Luxembourg) S.A. Details of affiliated companies by virtue of common ownership and their auditors are given in Appendix 2.

b) Branches

Appendix 3 sets out details of the company's branches and their auditors in various countries throughout the world.

ANNUAL OVERSEASYEAR ENDING DECEMBER 31, 1992

'Continued)

**c) Accounting policies**

In order to standardise Group company financial statement adopt accounting principles and reporting practices recommended by the International Accounting Standards Committee of which are in line with United Kingdom Statements Accounting Practice.

The company's financial statements for the year ended Dec 1992 are reproduced at Appendix 4. Note 2 to these financials gives details of the significant accounting policies adopted by the company.

We also enclose at Appendix 7, pages 5 to 7, various notes further explain the interpretation and practical application of the Accounting Policies and Practices.

**d) Accounting systems and procedures**

The company's branches operate in accordance with standard Group banking and accounting systems and procedures which are documented in the following publications:

- i) Accounting Manual, Volumes I and II
- ii) Instructions Circulars, issued numerically from #001
- iii) Systems Circulars, issued numerically from #001
- iv) Advances Manual
- v) Manual of Credit Approval Requirements
- vi) Credit Policy of BCC Group
- vii) Foreign Exchange Manual
- viii) Travellers Cheques Operating Procedure Manual  
Branch Refund Procedures Manual
- ix) BCC Money Order Procedures Manual
- x) Expenditure Approval Procedures and Guideline for BCC Group

**e) Management organisation****i) Central management:**

The office of Chief Executive vests in a Central Management Committee which consists of the Regional General Managers and the Executives-in-charge of the Central Support Organisation Divisions who are based primarily in London.

The Central Support Organisation consists of the following Divisions:

Credit; Group Accounts/Taxation; Audit and Inspection;  
Treasury; International; Personnel; Central Marketing;  
Planning; Systems and Operations; Management Services;  
International Business; Merchant Banking Services; Staff and  
Establishment.

BANK OF CREDIT AND COMMERCE INTERNATIONAL (OVERSEAS) LTD.AUDIT INSTRUCTIONS - YEAR ENDING DECEMBER 31, 1983

'Continued)

ii) Regional management:

Management of each Region is vested in a Regional Management Committee which consists of the Heads of the Regional Support Organisation Departments and selected Senior Managers in the Region, with the Regional General Manager as chairman of the Committee.

The Regional Support Organisation consists of the following Departments:

Credit; Accounts; Inspection; Administration; Operations; Personnel; Marketing.

i) Internal audit and inspectioni) Central Audit and Inspection Division (CAID):

The CAID, a Division of the Central Support Organisation, has staff in London, Abu Dhabi and Karachi. The CAID staff are rotated and interchanged as necessary to enable worldwide coverage of branches, although the staff based in Abu Dhabi and Karachi are primarily responsible for their respective regions. Based upon the current level of staff, each branch is scheduled for a visit every 12 to 18 months but to date not all branches have been covered. The internal audit work is designed to cover all areas of operation for overall compliance with systems and procedures.

The CAID audit reports will be reviewed by Price Waterhouse in London and you will be advised if anything arising therefrom should be brought to your attention.

ii) Regional Inspection Department (RID):

RID staff are based in Abu Dhabi, Cairo, Hong Kong and Karachi and inspect branches within their respective regions on a surprise basis several times each year. Their work is designed to cover selected areas of operation on each visit for detailed compliance with the accounting and procedures manuals, instruction circulars and systems circulars.

g) EDP systems

At the present time the installation of EDP facilities throughout the branches is continuing rapidly and it is management's intention to provide the necessary equipment to all locations as soon as possible.

The most sophisticated facility is the NCR "Falcon System" which is utilised primarily in the United Arab Emirates and the United Kingdom.

BANK OF CREDIT AND COMMERCE INTERNATIONAL (OVERSEAS) LTD.AUDIT INSTRUCTIONS - YEAR ENDING DECEMBER 31, 1983

(Continued)

A "Mini-Falcon System" has also been developed utilizing NCR 8250/9020 and 8140/9010 equipment and is currently running live at numerous branches with plans to introduce it to more branches in the future.

NCR 299/399 equipment is still used in certain locations and the few branches which do not have any of the aforementioned facilities continue to use a conventional posting machine or a manual system.

.. Audit considerations:

The following matters should be borne in mind when planning, executing and reporting upon the current year's examination.

- a) Provisions for doubtful accounts and taxation are made on a company wide basis as a year end branch consolidation adjustment. Such provisions are allocated to each region or branch as deemed appropriate but are not "transferred" from the head office to the branch until the following year. The BCC Group policy of retaining the loan loss provision at individual locations rather than collectively at head office is substantially dependent upon the local tax reliefs which may be availed thereon, and also any relative Central Bank regulations. The provision in the branch books may therefore fall short of that deemed necessary, but such shortfall may well be provided for in the year end consolidation or held at head office. You should therefore request local management to ascertain the additional year end provision being made in respect of your region or branch, where such is considered necessary. We will confirm, if required, any provisions relating to your location which are held at head office.
- b) Certain selected branches (mainly Grand Cayman, Panama and Paris) grant loans to established international customers of the company and in such circumstances loan files will not be available locally as they are maintained by the Credit Division of the Central Support Organisation. We are to be supplied with details of such loans and the locations involved as at September 30 so that we can notify branch auditors and undertake a company wide credit review, including confirmation if possible. If you do not receive such a communication from us before becoming aware of such loans yourselves, we should be notified immediately.
- c) Customer deposits and loans at certain selected branches (mainly Grand Cayman, Panama and Paris) require the following categorisation for the purposes of balance confirmation:-

## i) Confidential:

Accounts where confirmation of balance is strictly prohibited by virtue of the customer's identity or domicile. The company has instituted special systems and procedures for handling such accounts and this should enable the auditor to conclude on these accounts by the application of satisfactory alternative audit procedures.

BANK OF CREDIT AND COMMERCE INTERNATIONAL (OVERSEAS) LTD.AUDIT INSTRUCTIONS - YEAR ENDING DECEMBER 31, 1983

(Continued)

## iii) Sensitive:

Accounts where, for various reasons, independent mailing of balance confirmations is resisted by management but where they can obtain audit confirmation letters by personal contact with the customer. Before accepting such letters as audit confirmations the auditor should satisfy himself that valid reasons exist for this procedure in relation to the particular customer involved and that the customer's signature can be verified.

## iii) Open:

Accounts where no restrictions are placed upon independent balance confirmation.

The Central Management Committee have requested that, in respect of locations where confidential or sensitive accounts do exist, a senior member of the audit staff discusses such accounts with the Regional General Manager and/or Branch Manager before undertaking any audit work relating thereto. We also request that you notify us immediately of any such accounts and advise us of the number of customers and amounts involved.

- d) There is an established procedure, which is approved by Central Management, whereby branch and affiliate balances should be confirmed by the auditors of such entity wherever possible rather than by the entity itself.
- e) The Group auditors and ourselves wish to obtain information on significant balances and you are therefore requested to supply us with the name of any borrower (including related groups of borrowers) who have been granted facilities in excess of US\$2 million or local equivalent, together with the amount utilised at December 31, 1983.

In order to summarise this information and report to the Group auditors in accordance with their timetable we request that it reach us in Grand Cayman on or before January 24, 1984.

- f) Every effort should be made to issue a comprehensive management letter following completion of your audit. A management letter is the report to a client setting out matters which have come to the attention of the auditor during the course of his work and which are sufficiently important in nature to warrant being formally drawn to the attention of management. The preparation of such a letter is a common practice for auditors and is a natural by-product of the normal audit work.

The letter will commonly refer to factors affecting the strength of the system of internal control as well as other matters of which management should be aware in safeguarding each entities' assets and securing as far as possible the accuracy and reliability of the Group's records.

BANK OF CREDIT AND COMMERCE INTERNATIONAL (OVERSEAS) LTD.AUDIT INSTRUCTIONS - YEAR ENDING DECEMBER 31, 1983

(Continued)

Such letters should be discussed in draft with responsible local officials to obtain their agreement to all matters of fact stated therein and to enable the final version to incorporate, where appropriate, management's comments.

We would stress the importance of submission of such letters since they provide an important medium of communication with the client and are regarded by Central Management as an aid to their supervision of the accounting and control systems. In this connection you are asked to send two copies of such letters to Mr. M. Rahman, General Manager, Central Accounts Division in London.

i. Reporting requirements of PW, Grand Cayman:

We request that you report to us as set out below.

A. At September 30, 1983 (interim examination):

We do not require a formal opinion on the September 30, 1983 Accounting Statements. However, in order to highlight any immediate or potential problem areas, we shall be grateful if you will send us a report to include and cover the following:

- i) A completed audit information report as attached in appendix 5. You will note that we are enclosing two copies of appendix 5 and related appendices for ease of completion following your interim and year end audits.
- ii) Details of any facts or events which lead you to believe that you will not be able to give us an opinion in the form requested.
- iii) A copy of the management letter on internal accounting controls or other matters which you have issued to management (see paragraph 4(f) of these instructions).
- iv) Confirmation that you will be able to provide the information requested in paragraph 5(B) below in accordance with the year end time table.

i. At December 31, 1983 (year end examination):

To enable us to meet our commitments to management and to the Group auditors it is essential that the procedure for year end clearance to be followed in accordance with the audit time table set out in appendix 6. We request that you provide us with the following:

- i) A copy of the Accounting Statements initialled by yourselves for identification purposes. Please note that this should be forwarded to PW London by Courier as soon as possible.

BANK OF CREDIT AND COMMERCE INTERNATIONAL OVERSEAS LTD.AUDIT INSTRUCTIONS - YEAR ENDING DECEMBER 31, 1983

(Continued)

- (ii) Provisional and final telex clearances together with details of any audit adjustments in accordance with the time table. Please note that audit adjustments are reported only when their cumulative effect exceeds the materiality levels referred to in paragraph 1 of these instructions.
- (iii) Completed audit information report as set out in appendix 5 using the enclosed copy.
- (iv) Details of significant balances in accordance with paragraph 4(e) of these instructions.
- (v) A copy of the management letter on internal accounting controls or other matters which you have issued to management (see paragraph 4(f) of these instructions).

If you encounter any problem or known delay in communicating with Grand Cayman by whatever means, please send your communication directly to Mr. R.W. White in London marked "For onward transmission to Grand Cayman". Mr. White will then forward your communication to Grand Cayman or hold it for collection, as deemed appropriate. Alternatively, you can ask the local branch manager to contact us either directly or via Head Office in Grand Cayman.

Administration:a) Timetable

We are required to give clearance to the Group auditors on the company's accounts for the purposes of consolidation and have our files available for review in London on February 4, 1984. Management also require that we give final clearance and our opinion on the company's financial statements by February 15, 1984. In order for us to meet these deadlines, and allow us to liaise with the Group auditors, we must request you to strictly adhere to the timetable set out in Appendix 6. The timing is not materially different from last year.

The Central Accounts Division of the Central Support Organisation issues instructions by circular to all branches and regional offices regarding the annual closing procedures to be followed. We suggest that you familiarise yourselves with these instructions at the start of your audit work. Copies should be available to you at each location.

b) Audit fees

Audit fees are to be agreed and billed locally but are subject to final approval by the Executive-in-Charge of the Group Accounts Division in London who is anxious to ensure that all reasonable economies are made in the conduct of the audit in order to contain the overall level of fees charged.

BANK OF CREDIT AND COMMERCE INTERNATIONAL - OVERSEAS LTD.AUDIT INSTRUCTIONS - YEAR ENDING DECEMBER 31, 1963

(Continued)

c) Price Waterhouse personnel

The Price Waterhouse personnel involved in the audit in Grand Cayman are Richard W. Harris (partner) and Richard D. Fear (manager).

In order to facilitate closer communication with certain members of the Central Support Organisation in London, Mr. Ron White of Price Waterhouse, London acts as a liaison partner. In order for him to fulfill his role, and monitor the progress of the audit, it is imperative that a copy of all correspondence, reports and telexes etc. is sent to him in London at the time the original is sent to Grand Cayman.

Addresses and telex numbers of the Grand Cayman and London offices are:

Price Waterhouse.  
P.O. Box 258,  
Grand Cayman,  
B.W.I.  
Telex CP4329 (PWCO CI)

Price Waterhouse,  
Southwark Towers,  
32 London Bridge Street,  
London SE1 9SY,  
England.  
Telex 884657 (PRIWAT G)

Please feel free to contact any of the above personnel if you have any queries regarding these instructions or encounter any problems during the course of your audit.

# Ex-CIA of CIA to BCCI

## Helms had role in takeover bid

By Peter Mantius

STAFF WRITER

© Copyright 1992, The Atlanta Journal  
and The Atlanta Constitution

A former head of the CIA aided in an abortive attempt to take over Washington's largest bank on behalf of the notorious Bank of Credit and Commerce International, according to court records obtained by The Atlanta Journal-Constitution.

The 1978 attempt was derailed, in part, by the Iranian Revolution.

But, over the next four years, BCCI executives used a slightly different cast of characters to take secret control of what is now the First American Bank in Washington — eventually triggering an international banking scandal that rocked the financial foundations of a dozen countries.

The first attempt was guided by Richard Helms, former director of the CIA, court records filed in Gwinnett County show.

With Mr. Helms's help, Iranian millionaire Rahim Irvani served as chairman of an offshore company created in 1978 to conceal BCCI's role in the takeover of the Washington bank. Mr. Irvani has extensive interests in Georgia.

U.S. Senate investigators are examining the dealings between the two men and said they raise further questions about the CIA's knowledge of BCCI's evolution into a criminal organization.

Last year, BCCI was exposed as a criminal enterprise, its chief executives were indicted and many of its branches were shut around the world.

The bank had courted deposits from Colombia's Medellin drug cartel and handled accounts of former Panamanian dictator Manuel Noriega and international terrorist Abu Nidal.

Please see BCCI, A21 ▶

## BCCI: Case reveals former CIA chiefs ties to bank

Continued from A1

It bribed public officials and evaded banking, export and currency laws in dozens of countries. Bank executives used prominent world figures such as former President Jimmy Carter, former British Prime Minister James Callaghan and former Atlanta Mayor Andrew Young to boost its image in the Third World. Meanwhile, the bank squandered funds from the central banks of African countries to make fraudulent loans to insiders.

When BCCI was shut down last July, thousands of depositors worldwide were left with no hope of getting all their money back. Losses totaled several billion dollars, auditors say. Precise figure may never be known.

The Senate Subcommittee on Terrorism, Narcotics and International Operations has evidence that the CIA frequently crossed paths with BCCI in arms and drug deals.

"The question is, what they [CIA officials] knew and when they knew it," said a spokesman for the subcommittee.

The longtime business relationships between Mr. Helms, Mr. Irvani and Roy Carlson, the former head of the National Bank of Georgia in Atlanta, emerge in



*Last year, BCCI was exposed as a criminal enterprise, its chief executives were indicted and many of its branches were shut around the world.*

"Either my father would withdraw before investment was needed or they [BCCI] would have to fund 100 percent of the investment," Bahman Irvani said.

Mr. Carlson agreed. "If he had had to put in those funds, they would have funded it for him," Mr. Carlson testified. "He was asked to withdraw because after the revolution in Iran they were no longer interested in having Iranian participation."

Mr. Helms, who ran the CIA from 1966 to 1972, saw to it that Mr. Irvani would not assume any "undue risks" in the deal, proposing legal language "which would hold you harmless."

In an October 1978 telex to Mr. Irvani, Mr. Helms suggested terms that included his granting power of attorney in the bank to Mr. Carlson at his home in Shellville and through his attorneys in New York and San Francisco were not successful. His San Francisco attorney said he was vacationing out of the country.

The court records reveal their effort to gain control of the Washington bank on behalf of BCCI shortly after the Securities and Exchange Commission filed a civil complaint in federal court accusing Mr. Abedi and

of First American. Earlier, the Federal Reserve had prohibited BCCI from entering the U.S. By 1986, the CIA produced a report that concluded that BCCI held illegal control of the Washington bank, but its contents weren't shared with bank regulators at the Federal Reserve.

Another BCCI front man, Ghaiha Pharaon, bought NBG in 1978, and named Mr. Carlson to run it. The Atlanta bank was later purchased by First American.

Mr. Irvani had other dealings with Mr. Abedi. Both BCCI and Mr. Irvani's Alwand Investments Co. held stakes in the Iran Arab Bank.

Also, a BCCI loan summary obtained by The Atlanta Journal-Constitution shows that Alwand, which was nationalized by Iran in 1979, still owed BCCI \$8.2 million as of March 1991.

In the Gwinnett County civil suit, The German firm G + H Montage GmbH alleged that Mr. Irvani defaulted on a personal loan guarantee given to it during the 1970s. Mr. Irvani is pleading

After Mr. Irvani withdrew,

Co. held stakes in the Iran Air Co., which had been taken over by Ayandeh, a BCCI loan summary obtained by The Atlanta Journal-Constitution shows that Ayandeh, which was nationalized by Iran in 1979, still owed BCCI \$8.2 million as of March 1991.

In the Gwinnett County civil suit, The German firm G + H Montage GmbH alleged that Mr. Irvani defaulted on a personal loan guarantee given to it during the 1970s. Mr. Irvani is pleading poverty to avoid paying the debt and Montage's efforts to trace his assets included a thorough examination of his dealings with Mr. Helms.

In one deal, proposed legal language, "which would hold you harmless," was not accurate, Mr. Helms said. In an October 1978 telex to Franciso attorney said he was vacationing out of the country, terms that included his granting power of attorney in the bank takeover to the Washington D.C. law firm of Clark Clifford, whose role as lawyer for BCCI has come under scrutiny in Senate hearings and several federal investigations.

The court records reveal their effort to gain control of the Washington bank on behalf of BCCI, shortly after the Securities and Exchange Commission filed a civil complaint in federal court accusing Mr. Abedi and BCCI of violating federal law by BCCI enlisted others — including Kamal Adham, former head of Saudi intelligence and close ally to the CIA — to act on its behalf and secretly gained control

This is how the 1978 deal was supposed to work:

Mr. Irvani agreed to become chairman of a company that applied to the Federal Reserve to acquire the bank. Had the application been approved, Mr. Irvani and other investors would be paid for the purchase with money loaned by BCCI.

But the application was turned down, and BCCI executives didn't ask Mr. Irvani to participate in their next takeover attempt.

A year later the company — without Mr. Irvani as chairman — applied again and received Federal Reserve approval. It bought the Washington bank in 1992.

Court documents show that Mr. Helms vouched for Mr. Irvani at the highest levels of the consulting firm.

The longtime business relationships between Mr. Helms, Mr. Irvani and Roy Carlson, the former head of the National Bank of Georgia in Atlanta, emerge in depositions, cables and legal records filed in connection with a long-running lawsuit in Gwinnett County between Mr. Irvani and a German company that has tried to trace Mr. Irvani's assets through a maze of offshore companies.

They focus attention on a time before the Iranian Revolution, when Mr. Helms was U.S. ambassador to Iran; Mr. Irvani's Iranian holdings were worth an estimated \$800 million; and Mr. Carlson was a prominent executive with the Bank of America who had helped Aga Hasan Abedi obtain the start-up capital to open BCCI in 1972.

Mr. Helms, through a spokeswoman, declined to comment on his relationships with Mr. Irvani and Mr. Carlson, whom once managed Mr. Irvani's interests in Iran and later served as vice president of Mr. Helms's consulting firm.

Mr. Helms' son, who lives in Atlanta, said his father merely lent his name to the 1978 BCCI takeover bid as a courtesy to Mr. Abedi.

\*\* Tuesday, February 18, 1992 A5

# Ex-CIA chief Helms denies helping BCCI

By Peter Mantius

STAFF WRITER

Former CIA director Richard Helms denied a report in Saturday's editions of The Atlanta Journal-Constitution that he aided a failed 1978 attempt to take over a Washington bank on behalf of the corrupt Bank of Credit and Commerce International.

The report was based on subpoenaed documents obtained from public files in a Gwinnett County civil suit. They show that Mr. Helms sent a telex related to the takeover bid.

"I never heard of BCCI until the recent scandal," Mr. Helms told Reuter news service.

He also denied any role in helping Iranian businessman Rahim Irvani try to take over the Washington bank. Speaking to Reuter by phone from his Washington home Sunday, he called the report "totally untrue... absolute nonsense."

Mr. Helms, CIA director from 1966 to 1972 and ambassador to Iran from 1973 to 1977, declined to comment on the report before it was published.

Efforts to reach him Monday at his office and his home

were unsuccessful. A woman who answered his home phone said he was not available. He did not respond after copies of the documents referred to in the report were transmitted to his home.

In the telex sent to Mr. Irvani on Oct. 20, 1978, Mr. Helms proposed legal language to protect Mr. Irvani from liability after surrendering power of attorney "with respect to the transaction involving Financial General Bankshares of Washington."

In 1978, Mr. Irvani was chairman of an offshore company preparing to buy Financial General, now known as First American. Regulators blocked the bid.

Mr. Irvani's son, Bahman Irvani, told the newspaper last week that his father lent his name to the 1978 takeover bid at the request of BCCI founder Agha Hasan Abedi.

BCCI later used the same offshore company — without Mr. Irvani — to win control of Financial General by secretly lending the money used for the purchase. BCCI had been barred from U.S. banking before either bid. It has pleaded guilty to takeover fraud.

O  
 ITT GA  
 ITT 10 20 1056+  
 440242 SAFR UI55124880+

24880 MELIEX G  
 GA

440242 SAFR UI

TELEX NO. 228 10/20/76

ATTENTION: MR. IRVANI

1. ROY CARLSON ASKED ON OCTOBER 19 THAT I HAVE AN INDEPENDENT ATTORNEY REVIEW THE SEVEN DOCUMENTS HE SENT ME BY TELEK. MR. RICHARD MULLENS, WHOM YOU MET IN WASHINGTON, REVIED THE DOCUMENTS CAREFULLY AND STATES THAT IN SIGNING THEM YOU ARE NOT RUNNING UNDUE RISKS. HE FURTHER STATED THAT THERE IS NOTHING UNUSUAL IN THE DOCUMENTS.

2. CARLSON ALSO TOLD ME THAT YOU WANTED A DRAFT OF A SIMPLE AGREEMENT WHICH WOULD HOLD YOU HARMLESS IN THESE ARRANGEMENTS. THE TEXT OF THIS AGREEMENT IS AS FOLLOWS:

LETTER AGREEMENT

TO: MR. RAHIM IRVANI  
 MELLI INDUSTRIAL GROUP  
 P.O. BOX 2690  
 TEHRAN, IRAN

FOR VALUE RECEIVED, THE UNDERSIGNED JOINTLY AND SEVERALLY AGREE TO INDEMNIFY YOU FROM ANY AND ALL LIABILITY, LOSS, OR DAMAGE, INCLUDING REASONABLE ATTORNEYS' FEES, ARISING OUT OF OR CAUSED BY YOUR GRANTING, AS SHAREHOLDER OR A DIRECTOR, A POWER OF ATTORNEY TO ANY PARTNER OF CLIFFORD, GLASS, MC ILWAIN AND FINNEY, A WASHINGTON, D. C. LAW FIRM, TO ACT IN YOUR NAME WITH RESPECT TO THE TRANSACTION INVOLVING FINANCIAL GENERAL BANKSHARES OF WASHINGTON, D. C.

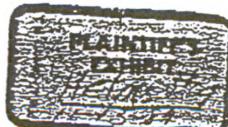
DATE:

(SIGNATURE LINE)

WITH WARMEST REGARDS,

HELMs

24880 MELIEX G  
 440242 SAFR UI.....  
 1102EDT 083.85



LAW OFFICES  
SILVERSTEIN AND MULLENS

LEONARD L. SILVERSTEIN  
RICHARD A. MULLENS  
GERALD N. SHERMAN  
PAUL F. SCHMID  
WILMA E. VAN DEMAN (1960-1976)  
CHARLES W. SCHOENEHAN  
ARTHUR H. SCHREIBER  
ROBERT E. TAFT  
JERRY J. MOY  
AOCLBERT L. SUWALSKY, JR.  
STUART H. LEWIS  
SAMUEL H. BLACK  
RONALD D. ABRAMSON  
LYNN K. PEARL  
DEBORAH H. BEERS

1776 K STREET NORTHWEST  
WASHINGTON, D.C. 20006

(202) 452-7900  
CABLE "SILMUL"  
TWX: 710 822 0016  
TELECOMER: (202) 452-7900

JAMES R. JONES  
EDWARD L. MERRIGAN  
COUNSEL

WRITER'S DIRECT DIAL NUMBER  
(202) 452-7930

July 28, 1977

Mr. Rahim Irvani  
Industrial Development and  
Service Company, Ltd.  
P.O. Box 2942  
Tehran, Iran



Re: Safeer Company

Dear Mr. Irvani:

After receiving your telex of July 21, 1977, we prepared a draft Certificate of Incorporation of Safeer Company. A copy is enclosed. In addition, I am also enclosing a draft of proposed by-laws. Both the certificate and the by-laws have been discussed with Ambassador Helms. He has asked that we call to your attention the following points about which you may have some suggestions.

1. We propose that the corporation adopt a fiscal year ending September 30 and set January 15 as the stockholders' meeting date. Actually, the corporation is free to adopt a fiscal year ending with any month. Once a fiscal year is adopted, it cannot be changed without securing permission of the Internal Revenue Service. September 30 is suggested because that would give time to prepare annual reports and tax returns prior to the usual rush which occurs subsequent to December 31.

3. The incorporators listed on page 2 of the Certificate of Incorporation would be unrelated persons selected by the Corporation Trust Company, a professional organization which is in the business of acting as the

SILVERSTEIN AND MULLENS

Mr. Rahim Iravani  
July 28, 1977  
Page Two

registered agent for a Delaware corporation. The incorporators' only function after signing the Certificate of Incorporation is to elect the initial board of directors. Thereafter control of the corporation is in the hands of the stockholders and the directors.

3. The following persons are suggested for the initial board of directors:

R. P. M. Carlson  
Dr. Hamid Montakhab  
Richard Helms  
Cynthia R. Helms  
Dennis J. Helms (He is a lawyer and Ambassador Helms' son.)

We advised having at least a five-person board. Ambassador Helms was reluctant to name three persons but did so at our suggestion. He would be happy to consider any additional persons you may desire.

4. As we noted in our first telex, we recommend that the initial capital of the company be \$1,000, split 80 shares to you and 20 shares to Ambassador Helms. As soon as the initial capital of \$1,000 is paid in for the stock, the company may commence business. Thereafter you may make contributions to capital in whatever amounts are deemed necessary to provide the corporation with adequate funds. Under those circumstances, the stock ownership will not change. Is this satisfactory with you? In what name would you like your stock registered?

5. As soon as the corporation is organized, it is contemplated that the following officers would be elected by the board of directors:

President	- Richard Helms
Vice President	- R. P. M. Carlson
Secretary	- Cynthia R. Helms
Treasurer	- Richard Helms

→ Northwest Investment Corp.

1 Beethoven Strasse

Zurich, Switzerland

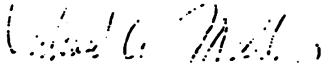
SILVERSTEIN AND MULLENS

Mr. Rahim Irvani  
July 28, 1977  
Page Three

If you have any questions or suggestions, perhaps you can contact us by telex. If you approve, please let us know by telex. Once final approval is given, it will only take a day or so to form the corporation.

Very truly yours,

SILVERSTEIN AND MULLENS

  
Richard A. Mullens

RAM:jll

Enclosures

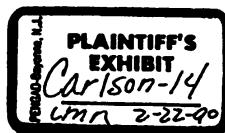
cc: Mr. R. P. M. Carlson  
Ambassador Richard Helms ✓

## FIRST ANNUAL MEETING

SAFEER COMPANY

November 24, 1978

MINUTES



The First Annual Meeting of the Board of Directors of Safeer Company was convened by Richard Helms, President, at 3:00 p.m. on November 24th in the conference room on the 4th floor of 1627 K Street, Northwest, Washington, D. C. In addition to the Chairman, there were present Mrs. Cynthia Helms, Secretary, as well as Dr. Hamid Montakhab and Mr. Dennis Helms. Mr. R. P. M. Carlson, Vice President, was absent but had instructed the president to represent the interests of Northwest Investment as well as his own.

The meeting was opened with an examination of the Financial Statement for fiscal year 1977-1978. No questions were raised about the details of the Statement, and it was approved by the Board without dissent.

As the next item on the agenda, the president set forth the activities of the Company during the past fiscal year. He covered efforts to buy the 1627 K Street building and advised the Board that Mr. Irvani's several offers to purchase had been declined by Mr. John Akridge, owner of the building. The president then discussed the various consulting agreements which the Company has made during the past year with Bechtel, Hughes Aircraft, and Itek. He enumerated the individual cases where companies had paid consulting fees for a one-time meeting and/or other ad hoc arrangements.

The third agenda item, "Prospects for the Future", was considered next. The president mentioned particularly the on-going effort to set up a joint venture between Western Electric Company and Alvand Investment in Tehran. He pointed out that details were in the process of negotiations and that if all goes well, an agreement should be finalized before the end of calendar year 1978. The president mentioned two other companies, Combustion Engineering and McDonnell Douglas, where possibilities of joint ventures also exist although detailed negotiations have not yet taken place.

**First Annual Meeting, Safeer Company, Minutes**

**- 2 -**

Following discussion of these items as well as remarks by Dr. Montakhab about the current political and business situation in Iran, the meeting was adjourned, sine die, subject to the call of the Chairman.

Cynthia Helms  
Secretary

R. H. I. m.

4649 Garfield Street  
Washington, D.C., 20007  
August 12, 1977.

Dear Roy,

I am directing this letter to you since we will be working together in Safeer Company, but I do want you to share it with Rahim so that he keeps as well advised as you do.

In my last telephone talk with Rahim he said that you and he (Mrs. Irvani and Bahman as well) would be in Washington September 9 and 10, then we would all go to California for the Stanford Research Institute ~~xxxxxx~~ seminar on September 11, remaining until the 14th. Are these dates still firm? If so, Mrs. Helms and I would like to have the entire party dine with us on the evening of September 9. Would you please extend the invitation?

~~xxxxxxxxx~~ Would you please give me some idea of what Rahim plans for his visit to Washington. Is he interested in looking at office buildings? I have done nothing on that matter since I have been so involved trying to get my office located, etc.. Incidentally, I have been helped on that by an energetic young man who works in the ~~xxxxxx~~ commercial leasing department of Charles E. Smith Co., the largest commercial real estate operator in the Washington area. Barnes, Miller, & Pardoe gave advice but not much constructive help. In any event the young man ~~xxxxxxxx~~ arranged for me to get space in a building not owned by his company. In short he was accommodating and obviously knows his way around Washington real estate. He might provide another arrow to our bow if we need one. Finally, I am not up to date on whether Tahim has made any forward progress in finding what he wants since we discussed the matter in Tehran during June.

I expect that Safeer Company will get set up almost any day now. Then I will sign a lease. I am already working on office furniture and decoration. I have spoken to a good CPA to help me on accounts and taxes when the time comes.

Last Sunday I got some information on the new cabinet appointments from Ardeshir Zahedi, so I immediately wrote letters to the four whom I thought would be most helpful to our cause in the future: Amouzegar, Hoveyda, Amin, and Yeganeh. If there is anyone else who might be included for a letter of congratulation, please let me know.

Cynthia joins in best wishes to Marge and you and to Mr. and Mrs. Irvani.

H000014

November 29, 1988

Mr. Rahim M. Irvani  
P. O1 Box 214  
London, NW3 7DH

Dear Mr. Irvani:

I have forwarded your letters to President Elect Bush and to Mr. James Baker.

I understand that Ali and Mr. Terry Eakin, my step-daughter's husband, have had meetings together and are now in touch with each other. Also I was able recently to vouch for Ali with Mr. Paul Nitze who owns a large Maryland country property adjacent to an area in which I understand Ali has a possible interest.

I much enjoyed our luncheon together. Incidentally, I have never heard from Roy Carlson since.

With warm regards,

Cordially,

Richard Helms

P.S: In case you do not recognize the name, Mr. Nitze is the American arms control adviser to President Reagan and Secretary Shultz,

P.O. Box 214  
London, NW3 7DH

November 16th, 1988

The Hon. Richard Helms  
Safeer Company  
Suite 402  
1627 K-Street NW  
Washington DC 20006

Dear Ambassador Helms,

A year ago you were kind enough to hand, on my behalf, a letter to Vice President Bush, at the start of the Presidential election campaign. I received a very gracious reply from him a few months later.

Now there has been a successful conclusion. I felt I should offer the President-Elect my congratulations, and also to Mr. James Baker. Once again I am enclosing letters which I would very much appreciate you handing to them when the opportunity occurs.

With best personal regards, and to Cynthia.

Sincerely,

RAHIM M. IRVANI

H000032

**SAFEER COMPANY**  
INTERNATIONAL CONSULTING

RICHARD HELMS  
PRESIDENT

TELEX: 440242 SAFR U  
CABLE: SAFEER WASHDC

Ambassador Frank Wisner  
American Embassy  
Cairo, Egypt.

May 22, 1988.

Dear Frank,

This will serve to introduce Mr. Robbin Javani, an old friend and former business associate. I understand that he will be calling you soon to discuss a visit to a factory he has built in Egypt. Anything you can do will be much appreciated.

Mr. Javani became a friend when I was in Tehran and he was one of the most successful of Iranian businessmen. He is a fine man.

With warmest regards,

Dick

P.O. Box 214  
London, NW3 7DH

7th February 1989

The Honourable  
Ambassador Richard Helms  
Safeer Company  
Suite 402  
1627 "K" Street NW  
Washington DC 20006  
U. S. A.

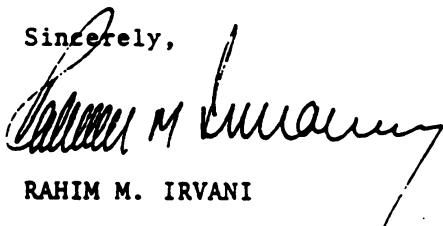
Dear Ambassador Helms,

I have only recently returned from an extended visit to the Middle East to find your kind letter of 28th November 1988. I am most grateful that you found time to forward my letters to President Bush and Mr. Baker. I have indeed received a very courteous reply from the President's Office.

Many thanks also for your kind advice to Ali, who is thoroughly enjoying the atmosphere and challenges of life in Washington.

With very best regards to you and to your lady,

Sincerely,



RAHIM M. IRVANI

H000030

**GRANITE INDUSTRIAL DEVELOPMENT & SERVICES CORPORATION**

Telephone (404) 945-1931  
Telex 543080 GR ATL

4878 Manhattan Drive  
Greater Atlanta  
Buford, Georgia 30518

March 21, 1984

Rt. Honourable  
Ambassador Richard Helms  
Safeer Company  
1627 "K" Street, N. W.  
Suite 402  
Washington, DC 20006

Dear Ambassador Helms:

As we discussed in our most recent telephone conversation, I have just returned from a business trip to Cairo, Egypt where I researched the investment possibilities relating to several projects.

The foodstuff market offers a great potential for trading company activity. More possibly than any other single segment of the market.

Our associate in Cairo, Mr. Gregory Bichara is very much interested in representing the following companies:

1. FMC Corporation, particularly the food machinery group of 200 E. Randolph, Chicago, Illinois.
2. The Beatrice Food Company, 2 North LaSalle St., Chicago, Illinois and its related food product divisions.
3. Consolidated Foods Corporation, 3 First National Plaza, Chicago, Illinois.

In addition, Mr. Bichara and his group is currently involved in government tenders for grains (corn and wheat). Any help you might give in obtaining the appropriate contacts for the three listed companies, and advising how we might secure the most competitive offers for corn and wheat, would be most appreciated.

On a whole new subject "date packing plant": We also discussed the inquiry we have received for a complete turnkey date packing plant. DelMonte seems to be the leader in machinery and equipment for this product and we would be most appreciative,

Ambassador Richard Helms  
March 21, 1984  
Page 2

again, for a hand up in making the appropriate contact.

You know that I am forever grateful and sincerely  
appreciative of your kind guidance and support.

Best regards,

Sincerely,

Rahim M. Irvani

RMI:gwd



LATIN AMERICA & CARIBBEAN REGIONAL OFFICE  
1200 BRICKELL AVENUE, 15TH FLOOR, MIAMI, FLORIDA 33131-3266 U.S.A.

DATE.

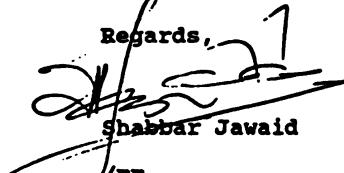
5/15/89 CRT/4661

FROM: Shabbar Jawaid TO: Mr. C.A. Mirza  
 SUBJECT: Mr. Bahaman Iravani Legal Dept.  
1. Grafton House, 11, Greenway Gardens  
London N.W. 3  
2. Land at Rear of 5 Oakhill Avenue  
54 Mylius Str. Frankfurt Main West Germany

We refer to your letter CAM/LD/DE/28(c) CRT/4362 dated April 19, 1989 and subsequent letter sent to us thru fax transmission on April 21, 1989 and request you to please let us know if the legal formalities for creation of mortgages over mentioned properties in favour of BCCI Nassau, Bahamas have been completed.

Shall appreciate receiving your early response in the matter.

Regards,

  
Shabbar Jawaid

mm

## GRANITE INDUSTRIAL DEVELOPMENT &amp; SERVICES CORPORATION

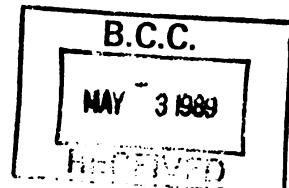
Telephone (404) 945-1931  
 Telex 543060 GR ATL

4878 Manhattan Drive  
 Greater Atlanta  
 Buford, Georgia 30518

*Longacre S.A. (R.L.C.)*

May 1, 1989

PRIVATE AND CONFIDENTIAL



Mr. B. A. Palkhiwala  
 General Manager USA  
 Bank of Credit and Commerce International  
 320 Park Avenue  
 New York, NY 10022

Dear Mr. Palkhiwala:

It was a pleasure to meet you, Mr. Bartsch and Mr. Raheem in your offices to discuss a potential financing of a corporation that we are planning to acquire. For your reference and consideration, I give below an overview of the transaction as a first step in your evaluation of the bank's interest.

1. Background: We have been clients of BCCI group since the mid 70's and are well known to the senior management in London. Our activity in the U.S. real estate market has expanded since 1985, although we have held passive property investments in the U.S. since 1976. With the development of our business based on sophisticated commercial and tax structures in the U.S., BCCI New York has been recommended to us as the appropriate channel through which to discuss our specific requirements.
2. The transaction: Longacre S.A. is planning to acquire 100 % stock of AR De Realty N.V., a Netherland Antilles Corporation, which owns a major New York office building. The ultimate source of funds for the acquisition of the shares of AR De will be the proceeds of a Participating Debt of US\$175,000,000 that Morgan Stanley Realty will place on the building owned by AR De. This loan is based on a value placed by Morgan Stanley on the building, described below, in excess of \$200,000,000 and the proceeds will be used to pay off the first mortgage of \$85,000,000 presently on the building with a 9% fixed interest.
3. The Building: The building is located on 150 E. 58th Street in the Plaza District of New York's Manhattan and is the primary showroom building for the Contract Furniture trade in New York. The building

Interim funding of \$60 million for stock acquisition is needed during the time required by Morgan Stanley to put the Debt financing in place, say approximately six months.

Mr. B. A. Palkhiwala  
BCCI, New York  
Page Two

is 550,000 sq. ft. of which approximately 50% are offices and the balance is showrooms. The Net Operating Income of the property is forecasted by Morgan Stanley to be at \$12.5M in 1989. The building is presently at a 90% occupancy level, and its Lobby and common areas have recently been totally renovated. The building is in excellent physical condition.

4. Interim Amount & Terms: Longacre S.A. requires \$60,000,000 to acquire the shares of AR De Realty for a period of six months with provision for one six-month extension, if necessary to be funded by June 15, 1989.
5. Collateral: First charge and control on the stock of AR De Realty N.V. being acquired.
6. Additional Support
  - a) Guarantees of Bahman & Ali Irvani with a net worth in excess of \$40,000,000 will be provided. This net worth calculation excludes any expected gains from the AR De contract.
  - b) AR De Realty N.V. (The owner of the Building) will also guarantee the advance fully on a recourse basis and will additionally:
    - (i) Undertake not to encumber the property in the future while the BCCI loan is outstanding.
    - (ii) Will undertake to allow the Bank to execute or register a charge on the property at the Bank's option in case of any delay or change in any circumstances as adjudged by BCCI
  - c) AR De and Longacre S.A. will place \$12,000,000 of deposits with the Bank, such deposit remaining with BCCI until repayment of the above bridging loan and subject throughout to bankers lien.
7. Sources of Repayment: The following two primary sources exist:
  - (a) Proceeds from the refinancing of the property through Morgan Stanley for \$175,000,000.  
or:  
(b) Proceeds from the sale of the building around the appraised value of approximately \$220,000,000.

Mr. B. A. Palkiwala  
BCCI, New York  
Page Three

8. Principals: Eastbild Inc. and Bahman & Ali Irani have identified and successfully completed four Real Estate transactions of a similar nature in Washington, D.C. and presently hold in excess of 250,000 sq. feet of prime office buildings in Washington valued in excess of \$70,000,000.

Three of the four transactions were financed by Morgan Stanley with whom an excellent relationship exists. Through the use of established professional organizations and Eastbild as the owner's representative, Longacre plans to proceed with its plans to operate the Building successfully once a Participating Debt is placed.

9. Appraisal: James Felt & Company, the reputable New York appraisal firm and part of the Grubb & Ellis Group, is in the process of completing an appraisal of the property, expected to show a market value at the present time in excess of \$200M.

10. Purchase and Operations Strategy: The corporation being acquired, AR De Realty, is a Netherland Antilles Corporation which was formed to run its one asset which is the building in question. Negotiations with AR De Realty to purchase the building centered on a purchase price range of \$210,000,000 of which 30% or \$63,000,000 would represent U.S. capital gains taxes.

As a matter of our group strategy, that allows for overseas tax advantages, the purchase of the shares of this one asset company will be accomplished at \$145,000,000 instead of actual asset purchase for \$210,000,000. The strategy allows the buyer to pay the seller the net amount they would have received had they sold the building directly, i.e., \$147,000,000 (\$210,000,000 sale price less \$63,000,000 capital gains taxes). Under U.S. tax laws, gains in the sale of shares of a foreign corporation registered in the Netherland Antilles is not subject to U.S. taxes. The final negotiated current settlement for acquisition of the shares was \$145,000,000.

The deferred tax carried forward is payable only at the time of the actual sale of the property out of the foreign-owned corporation. The Bank being a creditor will have priority in the repayment of its advances and can therefore view this deferral as an equivalent of the buyers equity in the corporation/building.

Purchase of assets though application of this sophisticated strategy is the hallmark of our group operations. In executing this strategy our group deals only with the most reputable U.S. names in Morgan Stanley, Peat Marwick and Mitchell, Chadbourne & Parke, etc. All our real estate transactions in the U.S. have been executed by this tried and tested method with the full support of prime banks.

Mr. B. A. Palkiwala  
BCCI, New York  
Page Four

In view of our close relationships with BCCI senior management in the U.K. and Mr. Helmy's approval on their behalf, we will be happy to channel this transaction through BCCI, New York. If successfully concluded, we could be in a position to offer future transactions, keeping in mind that our present strategy of acquisition and ultimately financing them through participating long term debts will continuously require short term interim financing.

We look forward to working with you and we will be pleased to provide further information as required.

Sincerely,



Bahman M. Irvani

BMI:mk

1883

Sun Motors<sup>①</sup>

April 25

Lie  
Jawani

Electro-motion

Mr. S A Rahman

Jawani

Island Creek Coal Co.

Accidental Oil

connection in Turkey

for coal506-223-3635606-223-3636Albert Cove (Washington)  
near of Island Creek

A. H. Miller

Former U.S. Sen-

H000082

**ISLAND CREEK COAL COMPANY**  
2388 HARRODSBURG ROAD  
LEXINGTON, KENTUCKY 40504  
PHONE 502/276-1525

ALBERT GORE  
CHAIRMAN OF THE BOARD

April 18, 1983

Honorable Richard Helms  
Safeer Company  
Suite 402  
1627 K Street, N.W.  
Washington, D.C. 20006

Dear Dick:

It was a pleasant surprise to receive the telephone call from you. Hope we can meet soon.

Here are copies of correspondence, etc.

I hope things are going well with you and yours.

Sincerely,

  
Albert Gore

AG:ls  
Attachments

H000084

Following firms given as rice dealers by Sen. Bumpers' office (Asst. Gary Faulkner), on 1/14/83. This was in response to Mr. Helm's request on behalf of Mr. Irvani.

1. Mr. Richard Bell (Dick)  
President  
Riceland Foods  
Stuttgart, Arkansas  
Telephone: 501 673 5500
2. Mr. Ron Bailey  
President  
Producers Rice Mill  
Stuttgart, Arkansas  
Telephone: 501 673 4444

H000095

02/21/91

17:34

BCCI 21 626 7066BCCI 21 66

271

## CONFIDENTIAL &amp; PRIVILEGED

## ATTENDANCE NOTE

DATE: NOVEMBER 19, 1990  
TIME: 10:30 A.M.  
ATTENDING: ROY CARLSON

Mr. Carlson introduced himself and thanked me for the opportunity to come and see me on behalf of Bahman Irvani. Carlson said that he had spoken to Mr. Mohamed Aslam about a month or six weeks ago but that following conversations between Bahman Irvani and Knox Dobbins of last week, Bahman Irvani was concerned to make contact with BCCI in order that no misunderstandings arise.

I said that I was aware of the conversation that had taken place between Bahman Irvani and Knox Dobbins. I told Carlson that in my view Knox Dobbins had acted perfectly correctly and in a way that reflected the view of BCCI toward the situation. I suggested that it would be to the advantage of all sides if things were seen to be dealt with properly between Attorneys. This was particularly so, I said, in the circumstances where it was understood the German Judgment Creditors, G & R Montage, would allege collusion or conspiracy between BCCI and the Irvani Defendants.

I said that before proceeding further with the discussion I wished to fully understand the capacity in which Carlson had come to see me and, in particular, on whose behalf he was speaking. Carlson suggested that in order to properly answer that question he should explain to me his own background.

Carlson said that he had been an executive with Bank of America in 1972, in their Middle East section. As such he had been involved with Mr. Agha Hasan Abedi at the time of the formation of BCCI in the Middle East. He

22/01/91

17:04

BCC 01 626 7056

BCCI 01 66

872

said that he maintained that relationship through to and including the time when BCCI was incorporated in Luxembourg.

Carlson said that it at about this time that Agha Hasan Abedi introduced Mr. Irvani to him in connection with work required in Iran regarding Iran Arab Bank. Carlson at that stage understood Rahim Irvani to be one of the most successful industrialists in Iran through his Mellil Group.

Following further contact with Rahim Irvani, Carlson left Bank of America to join one of the Irvani companies in Tehran in the mid-1970's. Carlson stayed with the Irvani company in Tehran until the onset of the revolution. Following the revolution, Carlson had returned to the United States, after a brief period in Frankfurt. Carlson said that by 1979 a Mr. Pharaon known to him, Agha Hasan Abedi and Rahim Irvani had acquired a stake in National Bank of Georgia. Carlson joined the National Bank of Georgia and Irvani also entered into transactions with National Bank of Georgia. Carlson said that, of course, he had to be careful to avoid conflicts of interest as he was considered an "insider" by National Bank of Georgia.

When Carlson retired from National Bank of Georgia in 1988, he began working for Bahman Irvani. It was virtually coincidental that it was during 1988 that the German Judgment Creditors began proceedings in the United States and Carlson had, since that time, been heavily engaged in advising and assisting Bahman Irvani in relation to those proceedings.

Carlson said that it would be useful for me to understand the background to the proceedings. Carlson

02/01/91

17:04

BCC B1 626 7066

BCCI B1 66

873

stated that the German Judgment Creditors had chosen to pursue Rahim Irvani on his guarantee liability in a way which other beneficiaries of Rahim Irvani guarantees had not following the revolution. Others had treated the Rahim Irvani guarantees as moral obligations only and had instead, pursued recovery of monies due from the industrial enterprises taken over by the revolutionary regime. Carlson said that all creditors other than C & K Montage had been paid in this way. C & K were pursuing new work from Iran and, therefore, chose not to go by this route. Carlson explained that he believed the German Judgment Creditors had been passed a copy of an article which had appeared in a newspaper in Iran immediately following the revolution. This had stated that Rahim Irvani had left Iran with some US\$300 million. Carlson said that to his knowledge this was untrue. However, it was clear from the negotiations that had taken place with the German Judgment Creditors that this was not accepted by them. Carlson then said that in order that I understand what sort of man Rahim Irvani was I should know about the adoption by Mr. and Mrs. Rahim Irvani of 20 orphans from Iran. Carlson explained that Rahim had built a special house to accommodate the 20 orphans and that their welfare was looked after by an educational trust of which Mrs. Rahim Irvani was a principal. When the point came for the adopted children to begin their secondary schooling, they were all sent abroad. At this point it was thought necessary for the educational trust to acquire investments abroad sufficient to generate income that would support the individual children. To this end the educational trust had purchased the property in San Francisco in or around 1974. This property had been acquired for a total consideration of US\$4 million made up of a payment of approximately US\$2 million and assumption of liability on existing Pro Rata of US\$2.6 million.

02/01/91

17:25

BCCI 01 626 7066

BCCI 01 56

07

Carlson went on to explain that in the mid-1980's the property had been sold for approximately US\$18 million and that it was the profits from this sale that had constituted the majority of the Irvani assets outside of Iran.

Having listened to Carlson's recitation of his involvement with Bahim Irvani, I said that I assumed that he was here representing Mr. Bahman Irvani. He confirmed that this was the case. I said that BCC's position was that it had become aware of the proceedings affecting, in particular, the assets of the two grantees of the Deeds to Secure Debt over the Gwinnett County land. I said that BCC took a very serious view of the potential for attack on its security interests. I said that BCC would do whatever was required to preserve those security interests and did so on the basis that it did not accept that any attack was properly based in law. I said to Carlson that I was particularly concerned that in seeking to understand the purpose of his visit, there should be no misunderstanding of the stance adopted by Knox Dobbins in the conversation with Bahman Irvani. I said that in my view Knox Dobbins had acted perfectly properly where Attorneys were instructed on both sides. I said that it was my understanding from statements made by the German Judgment Creditors Attorney, Dale Owens, that it was alleged that the relationship between BCCI and the Irvani family was something other than a straightforward customer/banker relationship. I told Carlson I did not accept that this was so and that I wished to make that clear to Bahman Irvani that BCC's conduct of the present matter would reflect that position.

Carlson said that, as previously stated, his calling on

82/01/91

17:25

BCC 01 626 7066

BCCI 01 66

075

He was as a direct result of Bahman Irvani's concern over Knox Dobbins refusal to speak to him. Carlson said that I should understand what, in Bahman Irvani's view, had contributed to the finding of fraudulent conveyance against the Irvani Defendants at trial. Carlson said that I should appreciate that there was no evidence of fraud produced at trial. Carlson told me that under Georgia Court procedure a party was entitled to interview jury members after a finding in order to determine what persuaded them. On interviewing the jury members in the trial, it had become apparent that the most persuasive evidence as a matter of the jury perception, was two bundles of documents that had been obtained by the Plaintiffs on Discovery from Washington lawyers Clifford & Warnecke. He said that this material related to a proposed share transaction with which Mr. Rahim Irvani had been associated. He said that the jury members viewed the evidence as crucial, in that it undermined Rahim Irvani's statement that he had no assets outside of Iran. Carlson said in order that I understand the significance of the evidence it was necessary to explain the background to the transactions shown on the material. He said that in the mid-1970's, and arising out of the relationship which had grown from Agha Hasan Abedi's involvement with Irvani over Iran Arab Bank, Agha Hasan Abedi had invited Rahim Irvani to take a 5% stake in (KBC/First American). Carlson said that Agha Hasan Abedi wished the consortium holding the shares to have a broad background including those from Iran. Carlson said that the material produced at trial purported to indicate that Rahim Irvani had applied to Credit & Commerce Americas for a loan in order to purchase the share stake. Carlson said that the jury had taken the agreement of Credit & Commerce Americas to make such a loan as indicative of the availability of assets in Irvani's name to secure such liability.

22/21/91

17:06

~~BCC 01 626 7066~~~~BCCI 01 66~~

076

I asked Carlson whether the loan had in fact been made. Carlson said that he believed that the investment had not proceeded because firstly, Rahim Irvani had never been keen to make the investment at all, but had been persuaded that he could do so on the basis of the loan to be made to him. And second, problems were encountered with Jewish shareholders in the bank to be acquired and this had delayed the transaction. Carlson said that he understood that in the final analysis the investment was taken up by other parties.

I asked Carlson what the Defence had said about the evidence at trial. Carlson said that he could not recall what had specifically been said to explain the transaction at trial but that I should, in any event, be provided with a transcript of the evidence. I asked Carlson how the evidence had been led by the Plaintiffs - had the evidence been put to witnesses? Carlson said that the matters to which the material related had, in fact, been put to him as a witness at the trial. He said that he could not now recall what his specific answers had been. He also said that he believed the material had been put to witnesses who had given evidence prior to him. I asked Carlson whether Rahim Irvani had given evidence. Carlson confirmed that he had.

Carlson said that there was another matter which he wondered whether I was aware of. He said that he had recently been contacted by New York lawyers acting on behalf of Dr. Ghait Pharaon. They had indicated to him that they wished to discuss meetings that he, Carlson, had had with Pharaon, Agha Hasan Abedi, Sualoh Yaqvi (and Irvani?) in the mid-1970's. Carlson said that the Pharaon lawyers had indicated that they wished to take only an hour or so of his time. In the event Carlson

said that the lawyers had come to Atlanta and had interviewed him over a 5 hour period. I told Carlson that I may be aware of the matter to which he was referring but that it was not associated with the issues in hand.

I said that my interest was to preserve BCC's rights under the Deed to Secure Debt. In order to do so I wanted to better understand the way in which the Plaintiffs case had been put in relation to fraudulent conveyance and alter ego and, in particular, to understand the prospects on the intended appeal.

I said that my starting point was the land owned and charged by Calvert Property NV. I asked Carlson how Calvert had come to acquire the property, who was Calvert's beneficial owner and what was its source of funding. Carlson said that the beneficial owners of Calvert were Bahman and Ali Irvani. I asked Carlson whether Bahman and Ali Irvani had independent sources of funds other than through their father Rahim. Carlson said that Calvert had been funded through the sale of the San Francisco property. He said that immediately following the family's move from Iran to the US, title to the San Francisco property had been sold by the educational trust to Calvert. I asked how Calvert had funded that purchase. Carlson said that no cash consideration passed on the conveyance to Calvert in 1979. He said that the consideration had been made up partially of the assumption by Calvert of the obligation on the prior existing Note and the balance of consideration had been made up by the assumption by Calvert of the obligation to support the 20 orphans. He said that on professional advice at the time, this consideration was accepted as valid and in monetary terms was assessed to be in excess of the value of the

property. Carlson said that the tax authorities in the US had accepted the construction of consideration in this way. I asked what value had been put on the property in 1979. Carlson said that the valuation had been the same as the purchase price, as it was not until the 1980's that the San Francisco property had appreciated substantially in value.

I asked Carlson on what basis Bahman and Ali Iravani had been entitled, as beneficial owners of Calvert Property NV, to the proceeds of sale of the San Francisco property. Carlson said that he cannot recall the precise mechanism through which Bahman and Ali Iravani had become beneficial owners of Calvert and he thought that, perhaps, Mrs. Iravani had been the beneficial owner at the time of the sale by the Iranian educational trust to Calvert. Subsequently there had been a transfer by Mrs. Iravani to Bahman and Ali.

I told Carlson that in my view, and on the basis of what he had told me, it ought to have been the case that despite the evidence that I accepted would raise a presumption in favour of the Plaintiffs, it ought to have been possible for Bahman Iravani and the Iravani Defendants to establish by painstaking forensic evidence the source of their funds for purchase of assets in a way which excluded the possibility of funding through Bahman and that this ought to have nailed the question of fraudulent conveyance or alter ego. I said that to the extent that the jury verdict and judgment appear to reflect the situation in which this had not apparently been done concerned me. I asked Carlson how it was intended to deal with the question of appeal.

Carlson said that Bahman Iravani intended to cut out the intermediate appeal court and go directly to the

ultimate appeal court for this action. (Georgia Supreme Court?) The Irvani Attorneys had advised that of itself the form of verdict and judgment indicated a manifest failure on the part of the trial Judge to direct the jury correctly. Carlson said that it was presently advised that the findings of alter ego and fraudulent conveyance were inherently inconsistent. I said that I could see that as a matter of a superficial position. I asked Carlson whether under the appeal procedure the appeal court would have access to witnesses of fact. He said he believed that they would not. I said that on that basis would it be right to assume that the appeal court would have some difficulty in setting aside the issues of fact on which the jury had found. Carlson said that this all turned on the quality of direction they had been given.

Carlson said that in his view it was likely that the appeal court would discharge the judgment and verdict in its entirety as an end to the matter. However, Carlson conceded that an alternative was that if the appeal decision turned on a failure to direct properly, a retrial could be ordered. Carlson said that in this event Bahman Irvani would apply to prevent the Judge who heard the present matter from hearing the new trial. Carlson said an alternative outcome on appeal would be that one or other of the findings of fraudulent conveyance or alter ego would go but that the other would be left in place.

Carlson said that it was a specific request from Bahman Irvani that in relation to the Discovery Request made to BCCI, BCCI should provide to him copies of all materials supplied. I said that presently BCCI did not accept validity of service of the Discovery Request and reserved its position in full on that matter. With

regard to the request that Carlson had addressed to me, I advised him that I would not wish to respond directly to Bahman Iravani's request and that he should see to make it properly by his Attorneys to our Attorneys and that it would be considered under appropriate advice.

I asked whether there had been extensive discovery in the existing proceedings. Carlson confirmed that this was the case. I asked whether there had been depositions. Carlson confirmed that the discovery process had been extended over a period of 24 months and that he had been deposed on 3 or 4 occasions.

Carlson said that in addition to himself his wife had also been deposed. Carlson said that it might interest me to know that the firm representing the German Judgment Creditors Booth, Wade & Campbell were a firm set up by people who had left one of the largest Atlanta firms. At the time of Carlson's wife's first deposition, Carlson's wife had commented that the offices where her deposition had been taken were shabby and in disarray. However, when Carlson himself had attended for his deposition, Booth, Wade & Campbell had moved to new offices which were some of the best that Carlson had ever seen. He said that in his view Booth, Wade & Campbell were heavily dependant on the present litigation with regard to their revenues and that their tactical approach to the litigation was reflected in their dependance upon it. He said that their approach was to prolong wherever they could.

I asked Carlson whether it was correct, as has been relayed to me by Knox Dobbins, that Bahman Iravani was intending to put the grantor Defendants into bankruptcy. Carlson said that this was the case and that Bahman Iravani was likely to do this during the first two weeks

in December because he faced a deadline in order to protect the companies from the effect of the judgment and verdict. He said that this step was necessary because the trial Judge had refused to stay the execution of the judgment and verdict unless the Irvani companies posted a bond equal to the total value of the amount claimed by the Judgment Creditors. Carlson said this the companies had been unable to do and that therefore, bankruptcy was forced upon them. I asked Carlson what he expected BCC's reaction to be to such a step by Bahman Irvani. Carlson said that he would have expected BCC to apply in the bankruptcy proceedings to enforce its security.

Carlson said to me that Bahman Irvani was particularly concerned because he appreciated that any inability on BCC's part to realise the security would lead to BCC pursuing him on his personal guarantees. I said, that in any event, BCC might have to pursue Bahman Irvani on his personal guarantees in order that it could enforce its security interests under the Deeds to Secure Debt. I said that the Calvert Deeds to Secure Debt secured the contingent liability of Bahman Irvani on his personal guarantees and accordingly until that debt had been declared due and payable the Calvert obligation could not be enforced. Carlson observed that if BCC were to substantively pursue Bahman Irvani on the guarantees Bahman Irvani might feel it necessary to file for his own personal bankruptcy. I told Carlson that BCC would do whatever was required to protect its interests and that the picture painted by Carlson and the facts known to BCCI led to bleak conclusions. I asked Carlson what value he presently put on the Commonwealth Industrial Park land. Carlson said that immediately prior to the commencement of the German Creditors proceedings a prospective sale had been under negotiation at a

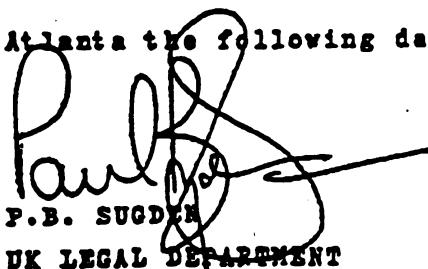
consideration of approximately US\$5.5 million. He said that this sale had obviously fallen through given the proceedings. He said that in his view the land was possibly worth less than that today. I told Carlson that on the basis of his own assessment of the value of the land it would be inescapable that Bahman Irvani would be liable to for a shortfall on his guarantees.

I said I wished to summarise for Carlson BCC's position. I told Carlson that:

1. BCC rejected entirely any suggestion that its security was tainted in any way by the allegations made sustaining the fraudulent conveyance and alter ego findings.
2. BCC would pursue in any way proper the preservation of its security interests in the property.
3. BCC would wish to deal with Bahman Irvani and the Irvani Defendants in a way which was demonstrably proper and for this reason BCC would invite Bahman Irvani to address any requests or comments through his Attorneys to BCCI's own Attorneys.
4. BCC would view with some dismay the position apparently put forward at trial, and relayed to me today by Carlson, that Rabim Irvani had no assets outside Iran, Bahman and Ali Irvani had only limited assets such that personal bankruptcy was an issue and that BCC's view was that these statements were inconsistent with the representations previously made to BCC.

Carlson thanked me for seeing him and said that he would relay this position to Bahman Irvani on his return to

Atlanta the following day.

  
Paul B. Suddeth  
UK LEGAL DEPARTMENT

(6)

## FIRST ANNUAL MEETING

SAFEER COMPANY

November 24, 1978

## MINUTES

The First Annual Meeting of the Board of Directors of Safeer Company was convened by Richard Helms, President, at 3:00 p.m. on November 24th in the conference room on the 4th floor of 1627 K Street, Northwest, Washington, D. C. In addition to the Chairman, there were present Mrs. Cynthia Helms, Secretary, as well as Dr. Hamid Montakhab and Mr. Dennis Helms. Mr. R. P. M. Carlson, Vice President, was absent but had instructed the president to represent the interests of Northwest Investment as well as his own.

The meeting was opened with an examination of the Financial Statement for fiscal year 1977-1978. No questions were raised about the details of the Statement, and it was approved by the Board without dissent.

As the next item on the agenda, the president set forth the activities of the Company during the past fiscal year. He covered efforts to buy the 1627 K Street building and advised the Board that Mr. Irvani's several offers to purchase had been declined by Mr. John Akridge, owner of the building. The president then discussed the various consulting agreements which the Company has made during the past year with Bechtel, Hughes Aircraft, and Irek. He enumerated the individual cases where companies had paid consulting fees for a one-time meeting and/or other ad hoc arrangements.

(R) The third agenda item, "Prospects for the Future", was considered next. The president mentioned particularly the on-going effort to set up a joint venture between Western Electric Company and Alvand Investment in Tehran. He pointed out that details were in the process of negotiations and that if all goes well, an agreement should be finalized before the end of calendar year 1978. The president mentioned two other companies, Combustion Engineering and McDonnell Douglas, where possibilities of joint ventures also exist although detailed negotiations have not yet taken place.



H000020

02/11/92 16:12 404 5265746

ATL. JOURNAL

## First Annual Meeting, Safeer Company, Minutes

- 2 - 

Following discussion of these items as well as remarks by Dr. Montakhab about the current political and business situation in Iran, the meeting was adjourned, sine die, subject to the call of the Chairman.

Cynthia Helms  
Secretary

R.H.J.

GENERAL JOURNAL

Date	Description	Credit	Debit	Balance
1-31 '71	Capital Stock	300		300
2	To expand operations of Society in August, 1971			
3	20 hrs @ \$10 R. Hines			
4	60 hrs @ \$10 New West Investment Corporation			
5				
6				
7	Office Supplies & Expenses			
8	Cash			
9	To record Rec'd "DM" for church printing charges			
10				
11	2-25-'71 To Shrine Acquaintance Dressing's/c.			
12	Cash			
13	To record transfer of funds to K. W. and J. D. for a residence			
14				
15	3-20-'71 Taxes - Payroll			
16	EICA with			
17	To recollectivity deposits of EICA			
18	Dec. 301.20			
19	Jan. 175.50			
20	Feb. 231.58			
21				
22				
23				
24	11-30 '71 DEFERRED ORGANIZATION EXPENSE			
25	LEGAL FEES			
26	To record payment			
27	11-30 '71 ORGANIZATIONAL EXPENSE			
28	Amierican Legion G. M. Fund, Inc. - New West Project			
29	To American Legion G. M. Fund, Inc. - New West Project			
30				

02.11.28 04:01 PM Page 3

H000005

## CASH RECEIVED

ITEM No.	DATE	REMITTED BY	AMOUNT	CASH		
				ICC NO.	OTHER	CONSOLIDATED
1	4-1	17 Noam West Investment Corporation	41,200.00			
2						
3						
4	Dec 1	Richard M. Morris (Refund of advance payment)	150.00			
5	22	Richard M. Morris (Refund)	300.00			
6	Jan 19	C. BEATTY - Payment (Refund on insurance)	6.00			
7	19	Richard Morris (Refund Entertainment, Travel,食料, Hotel, Bus, Car, etc.)	50.00			
8		TRAVEL EXPENSES FROM BUS, CAR, HOTEL, ETC., 1-22-4	100.00			
9	2-4	6 HAZARD HARRIS (Concert Fee)	200.00			
10		6 HAZARD HARRIS (Concert Fee)	200.00			
11			100.00			
12	Mar. 13	CENSAR GENERAL (Refund of Jan 19, \$32.00 spent on 2nd album)	32.00			
13			250.00			
14	20	RICHARD T. LEWIS (Refund of \$25.00, 1/22/90, 50% travel, 1/22/90)	12.50			
15	31	Oldy Dev. Council (Ticket Advance) REIMBURSEMENT	50.00			
16		31st Taxi (Refund from 3-28)	73.28			
17		" " " 364.00 (Refund)	73.28			
18			364.00			
19			364.00			
20			364.00			
21	Apr 10	Bank Adv. (Refund of \$20.00 on account of 1/30/90 trip)	5.00			
22	21	11/16/90	150.00			
23			14,901.50			
24			14,901.50			
25	May 2	Merritt & E. Morris (Refund of 1/20, Return Movie)	36			
26			36			
27			36			
28			36			

(260)

## CASH RECEIVED

S/N	DATE	REMITTED BY	AMOUNT	ACCT NO.		
				100	100	CONSULTING
1	11-3-77	Holloman Budget (Consulting)	500.00			
2	11-4	Warren (Consulting)	500.00			
3	11-21	Mitchell ("")	820.00			
4		O'Connor (Tele a/cnt)	6.24			
5	11-22	Holloman Budget (Consulting)	1,620.00			
6	11-24	State (Consulting and Telephone services)	1,028.00	520	240.00	
7			4,384.32	514.32	417.00	
8						
9	12-8	Allied Remittance (Telephone)	10,464.40	140.00		
10	12-10	Deutsche	5,330.70	1520	522.74	
11	12-11	State (Consulting)	500.00			
12	12-12	Electron (Telephone)	1,000.00			
13	12-29	Holloman Budget (Consulting)	1,620.00			
14			8,614.58	805.58	317.00	
15						
16	1-16-78	Botted (Consulting)	8,000.00			
17	1-21	Holloman Budget (Consulting)	1,620.00			
18	1-26	Cox Lision - (Unbilled) Schedule for 1-11-80 \$12,120.00	3,000.00	150	300.00	
19	1-29	Lined up and Agency by Account Billed	82.00	450	200	
20			12,759.00	3015.00	970.00	
21						
22	2-21	Botted (Consulting)	500.00			
23	2-27	Holloman Budget (Consulting)	1170.00			
24			2,726.89			
25						
26	3-15	Holloman (Consulting)	500.00			
27	3-24	Holloman Budget (Consulting)	1,620.00			
			2,120.00			

(26)

(6)



88136513CG/LH G,  
KEY-230775022+  
RCA DEC 11 1501  
INTEREDEC HOU

88136519CC1LH G

LDN/6790 DT 11/12/79

MR FRANK VAN COURT  
ARABIAN SERVICE CORPORATION  
HOUSTON, TEXAS

REURTLX 10 DECEMBER 79 FOLLOWING IS RESUME OF MR. ROY P.M. CARLSON

BORN 25 MAY 1923 IN CHICAGO, ILLINOIS

EDUCATION: UNIVERSITY OF CHICAGO, HOLDS MASTER'S DEGREE IN INTERNATIONAL RELATIONS WITH MAJOR IN INTERNATIONAL LAW MINORS IN ECONOMICS AND DIPLOMACY

MILITARY EXPERIENCE: OFFICER IN U.S. NAVY DURING WORLD WAR TWO WITH COMBAT DUTY IN PACIFIC THEATER.

~~EMPLOYMENT EXPERIENCE: WORKED AS TRAINEE WITH CHASE NATIONAL BANK, NEW YORK (ONE YEAR) THEN IN FINANCIAL DEPARTMENT OF WILSON AND CO. INC. (TWO YEARS) FOLLOWING WHICH WAS APPOINTED TO U.S. FOREIGN SERVICE AND SERVED AS VICE CONSUL IN DURBAN, SOUTH AFRICA (THREE YEARS) RESIGNED FROM FOREIGN SERVICE AND JOINED BANK OF AMERICA IN SAN FRANCISCO, INITIALLY SERVED AS OFFICER IN ITS INTERNATIONAL BANKING BRANCH. WAS LATER POSTED AS REPRESENTATIVE IN TEHRAN, IRAN AND SUBSEQUENTLY VICE PRESIDENT IN EUROPE, MIDDLE EAST AND AFRICA DIVISION RESPONSIBLE FOR BANK'S RELATIONSHIPS IN ALL COUNTRIES IN AREA IN WHICH BANK DID NOT HAVE DIRECT BRANCHES. TRANSFERRED TO BEIRUT, LEBANON TO ESTABLISH REGIONAL HEADQUARTERS WHICH HEADED IN CHARGE OF ALL OF BANK'S ACTIVITIES IN 23 COUNTRIES OF MIDDLE EAST AND EAST AFRICA (TOTAL BANK OF AMERICA SERVICE: TWENTY YEARS) IN 1975 RESIGNED TO JOIN MELDA INDUSTRIAL GROUP, TEHRAN, IRAN AS MANAGING DIRECTOR. THIS WAS SECOND LARGEST PRIVATELY-OWNED INDUSTRIAL COMPLEX IN IRAN WITH 10,000 EMPLOYEES AND CONSISTED OF SOME TWO DOZEN OPERATING COMPANIES IN LEATHER, SHOE MANUFACTURING, PLASTICS, RUBBER COMPOUNDING, MACHINERY MAKING, CONTAINER MANUFACTURING, PRINTING, HOSIERY ETC. LEFT IRAN A YEAR AGO WHEN AMERICANS WERE ADVISED BY THEIR GOVERNMENT TO LEAVE. HAS SUBSEQUENTLY WORKED AS DIRECTOR IN EUROPEAN INVESTMENT COMPANIES OWNED BY FOREIGN SHAREHOLDERS WITH IRANIAN INVESTMENTS.~~

MARRIED TO MARGERY RAW CARLSON THREE CHILDREN AGES 16 TO 20.

KIND REGARDS  
SWALEH NAQVI  
BANCRECOM LONDON  
+

88136519CC1LH G  
INTEREDEC HOU

*Sum by Agar Sabah  
20  
g/1*

- THE SHAREHOLDERS OF THIS COMPANY ARE THE MEMBERS OF THE FAMILY OF MR IRVANI

THE NET WORTH OF THE FAMILY AND THE GROUP IS ESTIMATED TO BE AT LEAST US DOLLAR 50 MILLION ON THE CONSERVATIVE SIDE

THE PERSONAL NETWORTH CERTIFICATE OF MR IRVANI WOULD BE PRODUCED

236200 KEN UR

HIS HIGHNESS SHAIKH MOHAMMAD BIN ZAYED  
REPRESENTED BY HIS EXCELLENCY ABDULLAH DARWAISH

HIS HIGHNESS SHAIKH MOHAMMAD BIN ZAYED BIN SULTAN AL NAHYAN IS A SON OF HIS HIGHNESS SHAIKH ZAYED BIN SULTAN AL NAHYAN RULER AND PRESENT OF THE UNITED ARAB EMIRATES

SHAIKH MOHAMMAD IS APPROXIMATELY 17 YEARS OF AGE STOP HE IS REPRESENTED BY HIS EXCELLENCY SHAIKH ABDULLAH H DARWAISH STOP HIS EXCELLENCY ABDULLAH DARWAISH IS A PROMINENT CITIZEN OF ABU DHABI STOP HE HAS BEEN ASSOCIATED WITH THE GOVERNMENT OF ABU DHABI FOR THE LAST SEVERAL YEARS AND HAS HELD ASSIGNMENTS AS AMBASSADOR OF THE UNITED ARAB EMIRATES STOP AT PRESENT HE IS THE CHAIRMAN OF THE DEPARTMENT OF FINANCIAL AFFAIRS OF HIS HIGHNESS THE RULER OF ABU DHABI IN ADDITION TO BEING THE FINANCIAL ADVISOR TO THE RULING FAMILY

HIS EXCELLENCY SHAIKH ABDULLAH DARWAISH IS ALSO CHAIRMAN OF ABU DHABI INVESTMENT COMPANY AND A DIRECTOR IN ABU DHABI INVESTMENT AUTHORITY

THE ASSETS OF THE RULING FAMILY ARE MANAGED MORE OR LESS JOINTLY STOP AS SUCH THE NET WORTH OF HIS HIGHNESS SHAIKH MOHAMMAD CAN BE ESTIMATED TO BE VERY SUBSTANTIAL

HIS HIGHNESS SHAIKH SULTAN BIN ZAYED AL NAHYAN

HIS HIGHNESS SHAIKH SULTAN BIN ZAYED AL NAHYAN IS A SON OF HIS HIGHNESS SHAIKH ZAYED BIN SULTAN AL NAHYAN

HE IS AGED ABOUT 24 (TWENTY FOUR) YEARS STOP HE WAS EDUCATED IN THE UNITED KINGDOM AND ALSO RECEIVED MILITARY TRAINING IN THE U.K AND PAKISTAN

AT PRESENT HE HOLDS A HIGHLY SENIOR AND IMPORTANT ASSIGNMENT IN THE ARMED FORCES OF THE UNITED ARAB EMIRATES

THE TRADITIONAL BUSINESS OF THE GROUP IS MANUFACTURING, DEALING AND MARKETING OF FOOTWEAR AND LEATHER GOODS

J.S.H.

- THE AGENCIES OF VARIOUS INTERNATIONAL COMPANIES STOR GENERAL CONTRACTING TRADING IN AIR CONDITIONING AND ELEVATOR EQUIPMENT INVESTMENT IN HOTEL COMPANIES AND BEVERAGE INDUSTRIES STOR HE ALSO HAS SUBSTANTIAL REAL ESTATE INVESTMENTS MAINLY IN SAUDI ARABIA BUT ALSO IN EGYPT AND UNITED KINGDOM

1 C HE HAS INTEREST AS A SHAREHOLDER THROUGH ONE OF HIS INVESTMENT COMPANIES IN ALLIED ARAB BANK LIMITED OF LONDON (THE RESTRUCTURED FORMER EDWARD BATES AND COMPANY)

HE IS GRADUALLY GIVING MORE TIME TO HIS BUSINESS AND INVESTMENTS AND IS SUPPORTED BY ADEQUATE MANAGERIAL STAFF (6)

HIS MAIN BUSINESS CONCERN ARE

AL MABANI SAUDI ARABIA (CONTRACTING CO.)

S C I C SAUDI ARABIA (CARRIER AGENTS)

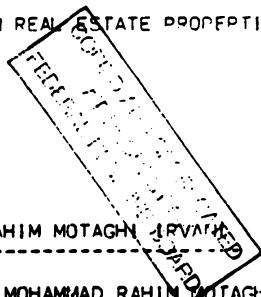
JEDDAH HOTEL COMPANY SAUDI ARABIA

SAMMERLAND BEACH COMPANY BEIRUT LEBANON

G NET WORTH  
-----

FINANCIAL POSITION OF HIS EXCELLENCY SHEIKH KAMAL ADHAM AS PER CERTIFICATE ISSUED BY FAUD ABU ZEEDIN AND COMPANY CERTIFIED AND PUBLIC ACCOUNTANTS IS ABOUT US DLR 134 MILLION (INCLUDING INVESTMENTS IN REAL ESTATE PROPERTIES AND ALL OTHER INVESTMENTS

236200 KEN UR



G A  
MR MUHAMMAD RAHIM MOTAGHI IRVANI

NAME : MR MOHAMMAD RAHIM MOTAGHI IRVANI

AGE : ABOUT 55 YEARS

PLACE OF BIRTH AND NATIONALITY : TEHRAN IRAN, IRANIAN

BUSINESS ADDRESS SOUTH AIRPORT ROAD  
SARE ACIAH MEHRABAD, MELLI SHOE BUILDING  
P O BOX 2690 TEHRAN IRAN

OCCUPATION  
-----

MR IRVANI IS THE FOUNDER OF THE OLD ESTABLISHED BUSINESS OF MELLI INDUSTRIAL GROUP (NEARLY 20 YEARS AGO)

THE TRADITIONAL BUSINESS OF THE GROUP IS MANUFACTURING, DEALING AND MARKETING OF FOOTWEAR AND LEATHER GOODS

THE GROUP WAS REORGANIZED AND RESTRUCTURED AND REGISTERED UNDER THE AT PRESENT HE HOLDS A HIGHLY SENIOR AND IMPORTANT ASSIGNMENT IN THE ARMED FORCES OF THE UNITED ARAB EMIRATES

-THE GROUP WAS REORGANIZED AND RESTRUCTURED AND CHANGED ITS NAME TO MELLI INDUSTRIAL GROUP IN 1969.

IN REORGANISATION MELLI INDUSTRIAL GROUP BECAME A HOLDING COMPANY OWNING INVESTMENT IN 23 OPERATING COMPANIES LOCATED PRINCIPALLY IN TEHRAN AREA AND MORE RECENTLY IN OTHER AREAS OF IRAN DUE TO GOVERNMENT RESTRAINTS ON EXPANSION IN THE TEHRAN ENVIRONS STOP THE SUBSIDIARY COMPANIES OF MELLI INDUSTRIAL GROUP NOW COMPRIZE A VERTICALLY INTEGRATED GROUP COVERING ALL ASPECTS OF THE FOOTWEAR INDUSTRY AS WELL AS SOME RELATED ACTIVITIES INCLUDING CHAIN OF RETAIL STORES ALL OVER THE COUNTRY NUMBERING ALMOST 200 THROUGH WHICH SLIGHTLY LESS THAN HALF OF TOTAL PRODUCTION OF MACHINE MADE FOOTWEAR IS SOLD STOP DAILY PRODUCTION OF THE GROUP EXCEEDS 70,000 PAIRS OF SHOES

RECENTLY THROUGH PARALLEL HOLDINGS OF GROUP'S FOUNDER MR RAHIM MIRVANI NON-FOOTWEAR INDUSTRY INVESTMENTS HAVE BROADENED THE SCOPE OF ACTIVITIES STOP AMONG OTHER INDUSTRIES IN WHICH INVESTMENTS HAVE BEEN MADE ARE WHOLESALE FOOD PRODUCTS COLD STORAGE TRANSPORTATION (INTERCONTINENTAL TRUCKING AND SHIPPING) AND FOOD CATERING

SEVERAL SUBSIDIARIES OF MELLI INDUSTRIAL GROUP ARE JOINT VENTURE WITH FOREIGN INTERESTS WHICH FURNISH MANAGEMENT AND TECHNICAL ASSISTANCE STOP AMONG NATIONALITIES REPRESENTED IN SUCH JOINT VENTURES ARE AMERICANS BRITISH GERMANS BELGIANS JAPANESE CZECHLOVACS AND SWISS STOP AMONG CORPORATE PARTNERS IN THE JOINT VENTURES ARE GOODYEAR (USA) SPILLERS (UK) GABOR SHOE AND GUSTAV HOFFMAN (GERMANY) UNITED CHEMICAL (SWITZERLAND) OTAFUKU (JAPAN) AND TRUST HOUSE FORTE (UK)

SUBSIDIARIES OF MELLI INDUSTRIAL GROUP

CENTRAL GUMMI IRAN COMPANY  
 DESMA IRAN COMPANY  
 GABOR SHOE IRAN COMPANY  
 GOOD BELT IRAN COMPANY  
GUSTAVE HOFFMANN SOE COMPANY  
 INDUSTRIAL FOOTWEAR COMPANY  
 MEHRABAD SPINNING AND WEAVING COMPANY  
 MELLI BOOT COMPANY  
 MELLI CAOUTCHOUC COMPANY  
 MELLI ENGINEERING AND MACHINE MANUFACTURING CO  
 MELLI EXPORT AND TRADING COMPANY LTD  
 MELLI SHOE COMPANY  
 NEGAHDAR COMPANY LTD  
 NAGARESTAN COMPANY  
 OTAFUKU IRAN COMPANY LTD  
 PARI CHAP COMPANY  
 POUŠKAK FALKS IRAN COMPANY  
 POUŠKAK OMDEH COMPANY  
 SCOMAB IRAN COMPANY  
 STANDARD SHOE COMPANY  
 TAHIEH MAVAD COMPANY  
 THIES IRAN CO LTD  
 UNITED CHEMICAL IRAN COMPANY  
 UNTITED SHOE COMPANY

MR IRVANI IS THE CHAIRMAN OF THE CORPORATION

✓  
 MR IRVANI IS ALSO CHAIRMAN OF ALWAND INDUSTRIAL COMPANY STOP THIS COMPANY WITH A CAPITAL OF ONE BILLION RIALS (TUS DOLRS 14.5 MILLION APPROXIMATELY ) HAS INVESTMENTS IN 10 DIFFERENT IRANIAN COMPANIES SUCH AS IRAN AMERICAN INSURANCE IRAN ARAB BANK [REDACTED]

SAMIYA, KUWAIT

PRESENT PRINCIPAL  
OCCUPATION

1. CHAIRMAN OF KUWAIT SANITARY WARE COMPANY  
IT IS A KUWAITI COMPANY WITH CAPITAL OF  
KD 6 MILLION STOP 25 PERCENT IS OWNED BY THE  
GOVERNMENT OF KUWAIT AND 25 PERCENT BY PRIVATE  
KUWAITIS
2. CHAIRMAN OF THE KUWAIT INTERNATIONAL FINANCE  
COMPANY SAK

(7)

OTHER OCCUPATIONS: DIRECTOR OF MIDDLE EAST CREDIT AND INVESTMENT  
COMPANY S A LUXEMBOURGHE WAS CHAIRMAN OF KUWAIT AIRWAYS SINCE 1963 TO  
JANUARY 1978HE HAS INTEREST IN SEVERAL COMMERCIAL FINANCIAL  
AND INDUSTRIAL PROJECTS DIRECTLY AND INDIRECTLY  
IN KUWAIT AND OTHER COUNTRIESNET WORTH : FINANCIAL POSITION OF MR FAISAL S AL FULAIJ AS PER BALA  
BALANCE SHEET AS AT THE 31ST DECEMBER 1977 IS  
US DLR 20,938,821.

236200 KEN UR

H E SHAikh KAMAL ADHAM

NAME : H E SHAikh KAMAL ADHAM

AGE : 49 YEARS

PLACE OF BIRTH  
AND NATIONALITY MECCA, SAUDI ARABIA , SAUDI

BUSINESS ADDRESS : P O BOX NO 50, JEDDAH, SAUDI ARABIA

OCCUPATION

HIS EXCELLENCY SHAikh KAMAL ADHAM HAS HELD SEVERAL VERY SENIOR  
POSITIONS WITH THE GOVERNMENT OF SAUDI ARABIA, MAINLY IN  
ADVISORY CAPACITYHE IS ALSO VERY CLOSELY RELATED TO THE FORMER QUEEN OF  
SAUDI ARABIA (WIFE OF LATE KING FAISAL) AND IS AN UNCLE OF THE  
PRESENT FOREIGN MINISTER (WHO IS A SON OF THE LATE KING FAISAL)HE AND HIS FAMILY HAVE ALSO BEEN ENGAGED IN SEVERAL BUSINESS AND  
INVESTMENT ACTIVITIES FOR A VERY LONG TERM STOP THE BUSINESS LINES  
ARE AGENCIES OF VARIOUS INTERNATIONAL COMPANIES STOP GENERAL  
CONTRACTING TRADING IN AIR CONDITIONING AND ELEVATOR EQUIPMENT

MR. MUHAMMAD RAHIM MOTAGHI IRVANI

Name: Mr. Mohammad Rahim Motaghi Irvani

Age: About 55 years

Place of Birth &  
Nationality: Tehran, Iran  
Iranian

Business Address:  
South Airport Road,  
Sare Aciab Mehrabad,  
Melli Shoe Building 1,  
P.O. Box 2690,  
Tehran. Iran

Occupation:

1. Mr. Irvani is the founder of the old established business of Melli Industrial Group (nearly 20 years ago).

The traditional business of the Group is manufacturing, dealing and marketing of footwear and leather goods.

The group was re-organised and re-structured and registered under the name of Melli Industrial Group in 1969.

In re-organisation, Melli Industrial Group became a holding company owning investment in 23 operating companies located principally in the Tehran area and more recently in other areas of Iran due to governmental restraints on expansion in the Tehran environs. The subsidiary companies of Melli Industrial Group now comprise a vertically integrated group covering all aspects of the footwear industry as well as some related activities including chain of retail stores all over the country numbering almost 300 through which slightly less than half of total production of machine made footwear is sold. Daily production of the group exceeds 70,000 pairs of shoes.

Recently, through parallel holdings of the group's founder, Mr. Rahim M. Irvani, non-footwear industry investments have broadened the scope of activities. Among other industries in which investments have been made are wholesale food products, cold

600007

----- 2 -----

Several subsidiaries of Melli Industrial Group are joint ventures with foreign interests which furnish management and technical assistance. Among nationalities represented in such joint ventures are Americans, British, Germans, Belgians, Japanese, Czechoslovacs and Swiss. Among corporate partners in the joint ventures are Goodyear (USA), Spillers (UK), Gabor Shoe and Gustav Hoffman (Germany), United Chemical (Switzerland). Otafuku (Japan), and Trust House Forte (UK).

Subsidiaries of Melli Industrial Group:

Central Gummi Iran Company  
Desma Iran Company  
Gabor Shoe Iran Company  
Goodbelt Iran Company  
Gustav Hoffman Shoe Company  
Industrial Footwear Company  
Mebrabad Spinning and Weaving Company  
Melli Boot Company  
Melli Caoutchouc Company  
Melli Engineering and Machine Manufacturing Co.  
Melli Export and Trading Company Limited  
Melli Shoe Company  
Negahdar Company Limited  
Negarestan Company  
Otafuku Iran Company Limited  
Parsi Chap Company  
Poushak Falks Iran Company  
Poushak Omdeh Company  
Scomab Iran Company  
Standard Shoe Company  
Tahieh Mayad Company  
Thies Iran Co. Limited  
United Chemical Iran Company.  
United Shoe Company

✓ Mr. Irvani is the Chairman of the Corporation.

2. Mr. Irvani is also Chairman of Alwand Industrial Company. This company with a capital of 1 billion I.Ris. (U.S.\$ 14.5 million approximately) has investments in different Iranian companies such as Iran American Insurance, Iran Arab Bank and others. It also has a joint venture with a reputed British Company "Lindispeler".

The shareholders of this company are the members of the family of Mr. Irvani.

--- 3 ---

6500003

**Net Worth:**

The networth of the family and the group  
is estimated to be at least U.S.\$ 50 million  
on the conservative side.

The personal networth certificate of  
Mr. Irvani would be produced.



SUBJECT	ALWAND INVESTMENT COMPANY
ADDRESS	P.O. BOX 2690 South Airport Road Sare Aciab Mechrabad Tehran, Iran
CONSTITUTION	Public Joint Stock Co. Registered in Tehran, Iran
CAPITAL	Paid up Capital I.R. 100,000,000.- Understand Capital being raised to 1 Billion Iranian Rials
BUSINESS	This investment Company is performing the job of a holding Company for Irvani Group. The Company has investment in different Iranian companies such as Iran American Insurance, Iran Arab Bank and others. It also has a joint venture with the reputed British Company "Lindispeier".
BACKGROUND	Alwand is the investment wing of Irvani Group. where- as, Irvani Group of Industries is the industrial wing having a number of industrial subsidiaries and joint ventures under it.  Among nationalities represented in joint ventures are:  Americans, British, Germans, Belgians, Japanese and Swiss.  Among Corporate partners in joint ventures are:  Good Year (U.S.A.), Speller (U.K.), Gabor Shoe and Justan Hoofman (W. Germany), United Chemical (Swiss), Otafuku (Japan) and Trust House Forte (U.K.)

ANNEXURE 'A' contd.

NAME OF COMPANY Melli Industrial Group  
 (Iranian Style) - Gorouhe Sanati Melli (Sherkate Sahami Aam)

ADDRESS South Airport Road, Sare Aciab Mehrabad,  
 Melli Shoe Building No. 11  
 P.O. Box 2690 TEHRAN - IRAN  
 Tel: 960011  
 Cable: MELGRUP - REHRAN  
 Telex: 212527 GRUP IR

TYPE OF COMPANY Public joint Stock Company; registered at companies  
 registration department on Dec 12, 1969 under  
 No. 13584.

LINE OF BUSINESS Equity participation: sale/purchase of shares;  
 act as holding company.

BOARD OF DIRECTORS

Chairman of Board	-Mr. Mohammad Rehim Motaghi Arvani
1st Vice Chairman	-Mr. Mehdi Motabar
2nd Vice Chairman	-Mr. Mostafa Atiri
3rd Vice Chairman	-Mr. Mohiboud Mahdavat Nezarat
Managing Director and Member	-Mr. Ray P.M. Carlson
Members	-Mr. Abdar Montakhab
	-Mr. Khosrov Ashrafi
	-Mr. Ourshalim Tarveran
	-Mr. Mohammad Ali Sassani
Alternate Members	-Mr. Seyed Hossein Tabatabai
	-Mr. Mohammad Taghi Fotowat

BANKERS Bank Melli Iran  
 Central, Bazar, Mehrabad Branches  
 Bank Bimeh Iran  
 Central and Mehrabad Branches  
 The Foreign Trade Bank of Iran  
 Central and Mehrabad Branches

FINANCIAL FIGURES (year ended August 1975)

Capital paid in	RIS. 960,000,000	(app. US DLR 13,700,000)
Total Assets	RIS. 2,133,827,346	(" US DLR 30,400,000)
Annual Sales app.	RIS. 7,000,000,000	(" US DLR 100,000,000)
Net Profit	RIS. 227,298,000	(" US DLR 3,200,000)

Melli Industrial Group, a joint stock limited liability company,  
 incorporated in Tehran on Dec 9, 1969, is the lineal successor of  
 "Melli Shoe Company" which was established some 20 years ago.

666671

...2-

In reorganisation, Melli Industrial Group became a holding company owning investment in 23 operating companies located principally in the Tehran area and more recently in other areas of Iran due to governmental restraints on expansion in the Tehran environs. The subsidiary companies of Melli Industrial Group now comprise a vertically integrated group covering all aspects of the footwear industry as well as some related activities including chain of retail stores all over the country numbering almost 300 through which slightly less than half of total production of machine made footwear, is sold. Daily production of the group exceeds 70,000 pairs of shoes.

Recently, through parallel holdings of the group's founder, Mr. Rahim M. Irvani, non-footwear industry investments have broadened the scope of activities. Among other industries in which investments have been made are wholesale food products, cold storage, transportation (intercontinental trucking and shipping) and food catering.

Melli Industrial Group serves as corporate board member of two prominent local banks. Mr. Irvani served as the Chairman and Managing Director of Melli Industrial group from its inception until mid 75 when he resigned as Managing Director to be replaced by Mr. R.P.M. Carlson, formerly Bank of America's Vice President incharge of the Middle Eastern region. Mr. Irvani continues as Chairman.

Several subsidiaries of Melli Industrial Group are joint ventures with foreign interests which furnish management and technical assistance. Among nationalities represented in such joint ventures are Americans, British, Germans, Belgians, Japanese, Czechoslovacs and Swiss. Among corporate partners in the joint ventures are Goodyear (USA), Spillers (UK) Gabor Shoe and Gustav Hoffmann (Germany), United Chemical (Switzerland), Otafuku (Japan), and Trust House Forte (UK).

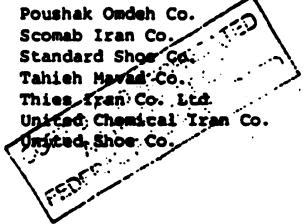
By 1978, 49% of group's shares will have been sold in compliance with new law providing to broaden the ownership. Company intends increasing its capital and diversifying their operations substantially in next two years.

#### SUBSIDIARIES OF MELLI INDUSTRIAL GROUP:

- Central Gummi Iran Co.
- Desma Iran Co.
- Gabor Shoe Iran Co.
- Goodbelt Iran Co.
- Gustav Hoffmann Shoe Co.
- Industrial Footwear Co.
- Mehrabad Spinning and Weaving Co.
- Melli Boot Co.
- Melli Choutchouc Co.
- Melli Engineering and Machine Manufacturing Co.

...3  
60007.

Melli Export and Trading Co. Ltd  
Melli Shoe Co.  
Negahdar Co. Ltd  
Negarestan Co.  
Otafuku Iran Co. Ltd  
Parsi Chap Co.  
Poushal Falks Iran Co.  
Poushal Omdeh Co.  
Scomab Iran Co.  
Standard Shoe Co.  
Tahieh Mavat Co.  
Thies Iran Co. Ltd  
United Chemical Iran Co.  
United Shoe Co.



LULU/J

NEW YORK, OCTOBER 15, 1978  
 TO: SWALEH NAQVUI  
 RE: CREDIT AND COMMERCE

PLEASE CAUSE EACH OF MOHAMMED RAHIM MOTAGHI IRVANI AND ABDULLAH DARWAISH TO TELEX TO J. FOGELSON AT WACHTELL, LIPTON, ROSEN AND KATZ (12-7629) THE FOLLOWING MESSAGES, UPON RECEIPT OF WHICH WE WILL BE IN A POSITION TO FILE FED APPLICATION:

1. CREDIT AND COMMERCE AMERICAN HOLDINGS, N.V.

CONSENT OF DIRECTOR IN LIEU OF DIRECTORS MEETING

THE UNDERSIGNED, A DIRECTOR OF CREDIT AND COMMERCE AMERICAN HOLDINGS, N.V., A NETHERLANDS ANTILLES CORPORATION, DOES HEREBY CONSENT TO THE ADOPTION OF THE FOLLOWING RESOLUTIONS OF THE DIRECTORS OF SUCH COMPANY:

RESOLVED, THAT CREDIT AND COMMERCE AMERICAN HOLDINGS, N.V. (SOMETIMES REFERRED TO HEREINAFTER AS THE +COMPANY+) ACCEPTS THE OFFER OF ABDULLAH DARWAISH, SHEIKH KAMAL ADHAM, AND FAISAL SAUD AL FULAIJ TO SUBSCRIBE TO CAPITAL STOCK OF THE COMPANY IN CONSIDERATION OF THEIR DELIVERING TO THE COMPANY SHARES OF COMMON STOCK, PAR VALUE \$10 PER SHARE, OF FINANCIAL GENERAL BANKSHARES, INC. (+FGB SHARES+) A VIRGINIA CORPORATION, THE CAPITAL STOCK OF THE COMPANY TO BE VALUED AT NOT LESS THAN U.S. \$870 PER SHARE AND SUCH FGB SHARES TO BE VALUED AT NOT LESS THAN U.S. \$15 PER SHARE.

RESOLVED, THAT THE COMPANY OFFER TO SELL ADDITIONAL SHARES OF ITS CAPITAL STOCK FOR U.S. \$870 PER SHARE.

RESOLVED, THAT THE COMPANY OFFER TO CREDIT AND COMMERCE AMERICAN INVESTMENT, B.V. (+CCAI+) ALL OF SUCH FGB SHARES AND CASH RECEIVED FROM SUBSCRIPTION FOR THE COMPANY'S SHARES IN EXCHANGE FOR CAPITAL STOCK OF CCAI.

RESOLVED, THAT THE COMPANY HEREBY APPROVES THE MAKING BY CCAI OF A CASH TENDER OFFER FOR ANY AND ALL FGB SHARES AT NOT LESS THAN U.S. \$15 PER FGB SHARE (THE +OFFER+).

RESOLVED, THAT IN CONNECTION WITH THE OFFER, THE COMPANY SHALL PREPARE AND FILE WITH THE APPROPRIATE REGULATORY AUTHORITIES OF THE UNITED STATES AND ANY STATE THEREOF ALL APPLICATIONS WHICH SHALL BE APPROPRIATE IN ORDER TO OBTAIN ANY NECESSARY AUTHORITY FOR CCAI TO ACQUIRE ANY AND ALL FGB SHARES PURSUANT TO THE OFFER.

HEREBY IS, AUTHORIZED AND EMPOWERED FOR AND IN THE NAME AND ON BEHALF OF THE COMPANY TO EXECUTE AND DELIVER TO THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM, PURSUANT TO SECTION 3(A)(1) OF THE BANK HOLDING COMPANY ACT OF 1956, AS AMENDED, AN APPLICATION FOR PRIOR APPROVAL BY THE BOARD OF ACTION TO BE TAKEN BY THE COMPANY WHICH WOULD RESULT IN ITS BECOMING A BANK HOLDING COMPANY.

600270

RESOLVED, THAT ROBERT A. ALTMAN, ESQ. OR ANY PARTNER OF THE LAW FIRM OF CLIFFORD, GLASS, MCILWAIN AND FINNEY BE, AND EACH OF THEM HEREBY IS AUTHORIZED AND EMPOWERED FOR AND IN THE NAME OF THE COMPANY TO PREPARE, EXECUTE AND DELIVER TO ANY STATE AUTHORITY OF ANY STATE OF THE UNITED STATES ANY AND ALL DOCUMENTS WHICH MAY BE NECESSARY IN ORDER FOR CCAI TO PURCHASE THE FGB SHARES PURSUANT TO THE OFFER.\*

RESOLVED, THAT THE COMPANY AND CCAI PREPARE AND FILE WITH ALL APPROPRIATE REGULATORY AUTHORITIES ALL DOCUMENTS AND AMENDMENTS THERETO WHICH MAY BE REQUIRED BY THE SECURITIES LAWS OF THE UNITED STATES OR ANY STATE THEREOF IN ORDER FOR CCAI TO MAKE THE OFFER, AND THAT ROBERT A. ALTMAN, ESQ., OR ANY PARTNER OF THE FIRM CLIFFORD, GLASS, MCILWAIN AND FINNEY, BE, AND EACH OF THEM HEREBY IS, AUTHORIZED AND DIRECTED TO PREPARE, EXECUTE AND FILE ALL SUCH DOCUMENTS.

RESOLVED, THAT ROBERT A. ALTMAN, ESQ., OR ANY PARTNER OF THE LAW FIRM CLIFFORD, GLASS, MCILWAIN AND FINNEY BE, AND EACH OF THEM HEREBY IS, AUTHORIZED AND DIRECTED FOR AND ON BEHALF OF THE COMPANY, TO TAKE OR CAUSE TO BE TAKEN ANY AND ALL ACTION, TO EXECUTE ANY AND ALL AGREEMENTS, CERTIFICATES, INSTRUMENTS REQUESTS OR ANY OTHER INSTRUMENTS OR DOCUMENTS AND DO ANY AND ALL THINGS WHICH IN [REDACTED] SOLE DISCRETION MAY BE NECESSARY OR ADVISABLE TO EFFECTUATE EACH OF THE FOREGOING RESOLUTIONS, TO CARRY OUT THE PURPOSES THEREOF INCLUDING CONSENTING TO THE COMPANY'S SUBJECTING ITSELF TO ALL APPLICABLE PROVISIONS OF THE CONSENTS AND UNDERTAKINGS EXECUTED IN CONNECTION WITH THE SETTLEMENT OF THE ACTION BROUGHT IN THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF COLUMBIA ENTITLED SECURITIES AND EXCHANGE COMMISSION V. BANK OF CREDIT AND COMMERCE INTERNATIONAL S.A. ET AL. AND THE COMPANY SUBJECTING ITSELF TO THE JURISDICTION OF SUCH COURT.

## CONSENT OF DIRECTOR IN LIEU OF DIRECTORS MEETING

600477

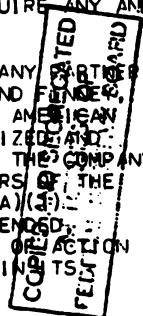
THE UNDERSIGNED, A DIRECTOR OF CREDIT AND COMMERCE AMERICAN INVESTMENT, B.V., A NETHERLANDS CORPORATION, DOES HEREBY CONSENT TO THE ADOPTION OF THE FOLLOWING RESOLUTIONS OF THE DIRECTORS OF SUCH COMPANY:

RESOLVED, THAT CREDIT AND COMMERCE AMERICAN INVESTMENT, B.V. (SOMETIMES REFERRED TO HEREINAFTER AS THE +COMPANY) ACCEPT THE OFFER OF CREDIT AND COMMERCE AMERICAN HOLDINGS, N.V. (+CCAH+), A NETHERLANDS ANTILLES CORPORATION, TO SUBSCRIBE FOR CAPITAL STOCK OF THE COMPANY IN CONSIDERATION OF ITS DELIVERING TO THE COMPANY ALL SHARES OF THE COMMON STOCK, PAR VALUE ~~\$10~~<sup>4.50</sup> PER SHARE, OF FINANCIAL GENERAL BANCSHARES, INC. (+FGB SHARES+) AND CASH WHICH CCAH RECEIVES UPON SUBSCRIPTION FOR ITS CAPITAL STOCK.

RESOLVED, THAT THE COMPANY HEREBY APPROVES THE TAKING OF ALL STEPS NECESSARY OR APPROPRIATE TO PURCHASE ANY AND ALL FGB SHARES BY MEANS OF A CASH TENDER OFFER AT NOT LESS THAN U.S. \$15 PER SHARE (THE +OFFER+).

RESOLVED, THAT IN CONNECTION WITH THE OFFER, THE COMPANY SHALL PREPARE AND FILE WITH THE UNITED STATES FEDERAL RESERVE BOARD AND ALL OTHER APPROPRIATE REGULATORY AUTHORITIES OF THE UNITED STATES AND ANY STATE THEREOF ALL APPLICATIONS WHICH SHALL BE APPROPRIATE IN ORDER TO OBTAIN ANY NECESSARY AUTHORITY FOR THE COMPANY TO ACQUIRE ANY AND ALL FGB SHARES PURSUANT TO THE OFFER.

RESOLVED, THAT ROBERT A. ALTMAN, ESQ. OR ANY PARTNER OF THE LAW FIRM OF CLIFFORD, GLASS, MCILWAIN AND FINNEY, COUNSEL TO THE COMPANY AND CREDIT AND COMMERCE AMERICAN HOLDINGS, N.V., BE AND EACH OF THEM IS, AUTHORIZED AND EMPOWERED FOR AND IN THE NAME AND ON BEHALF OF THE COMPANY TO EXECUTE AND DELIVER TO THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM, PURSUANT TO SECTION 3(A)(3) OF THE BANK HOLDING COMPANY ACT OF 1956, AS AMENDED, AN APPLICATION FOR PRIOR APPROVAL BY THE BOARD OF ACTION TO BE TAKEN BY THE COMPANY WHICH WOULD RESULT IN ITS BECOMING A BANK HOLDING COMPANY.



RESOLVED, THAT ROBERT A. ALTMAN, ESQ. OR ANY PARTNER OF THE LAW FIRM OF CLIFFORD, GLASS, MCILWAIN AND FINNEY BE, AND EACH OF THEM HEREBY IS, AUTHORIZED AND EMPOWERED FOR AND IN THE NAME OF THE COMPANY TO PREPARE, EXECUTE AND DELIVER TO ANY STATE AUTHORITY OF ANY STATE OF THE UNITED STATES ANY AND ALL DOCUMENTS WHICH MAY BE NECESSARY IN ORDER FOR THE COMPANY TO PURCHASE THE FGB SHARES PURSUANT TO THE OFFER.

RESOLVED, THAT THE COMPANY PREPARE AND FILE WITH ALL APPROPRIATE REGULATORY AUTHORITIES OF THE UNITED STATES ALL DOCUMENTS AND AMENDMENTS THERETO WHICH MAY BE REQUIRED BY THE SECURITIES LAWS OF THE UNITED STATES OR ANY STATE THEREOF IN ORDER FOR THE COMPANY TO MAKE THE OFFER, AND THAT ROBERT A. ALTMAN, ESQ. OR ANY PARTNER OF THE FIRM CLIFFORD, MCILWAIN AND FINNEY BE, AND EACH OF THEM HEREBY IS AUTHORIZED AND DIRECTED TO PREPARE, EXECUTE AND FILE ALL SUCH DOCUMENTS.

RESOLVED, THAT PRIOR TO THE MAKING OF THE OFFER THE COMPANY SHALL OFFER TO ALL PERSONS WHO SOLD THEIR FGB SHARES IN THE OPEN MARKET DURING DECEMBER 1977 AND JANUARY 1978 TO EITHER SHEIKH KAMAL ADHAM OR FAISAL SAUD AL FULAIJ THE OPPORTUNITY TO RESCIND SUCH TRANSACTIONS AS REQUIRED BY THE ORDER OF THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF COLUMBIA IN THE ACTION ENTITLED FINANCIAL GENERAL BANK SHARES, INC. V. B. LANCE ET AL.

RESOLVED, THAT ROBERT A. ALTMAN, ESQ. OR ANY PARTNER OF THE LAW FIRM CLIFFORD, GLASS, MCILWAIN AND FINNEY, BE, AND EACH OF THEM HEREBY IS AUTHORIZED AND DIRECTED FOR AND ON BEHALF OF THE COMPANY, TO TAKE OR CAUSE TO BE TAKEN ANY AND ALL ACTION, TO EXECUTE ANY AND ALL AGREEMENTS, CERTIFICATES, INSTRUMENTS, REQUESTS OR ANY OTHER INSTRUMENTS OR DOCUMENTS AND DO ANY AND ALL THINGS WHICH IN THEIR SOLE DISCRETION MAY BE NECESSARY OR ADVISABLE TO EFFECTUATE EACH OF THE FOREGOING RESOLUTIONS TO CARRY OUT THE PURPOSE THEREOF, INCLUDING CONSENTING TO THE COMPANY'S SUBJECTING ITSELF TO ALL APPLICABLE PROVISIONS OF THE CONSENTS AND UNDERTAKINGS EXECUTED IN CONNECTION WITH THE SETTLEMENT OF THE ACTION BROUGHT IN THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF COLUMBIA ENTITLED SECURITIES AND EXCHANGE COMMISSION V. BANK OF CREDIT AND COMMERCE INTERNATIONAL, S.A., ET AL. AND THE COMPANY SUBJECTING ITSELF TO THE JURISDICTION OF SUCH COURT.

DATED: -----  
- 4901 DIRECTOR

THANK YOU.  
RICHARD COHEN



AMERICAN EXPRESS INTERNATIONAL BANKING CORPORATION, AMERICAN EXPRESS PLAZA, NEW YORK, NEW YORK 10004

JAN KRUTHOFFER  
SENIOR VICE PRESIDENT

000021

July 20, 1978

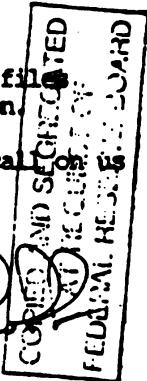
Dear Mr. Irvani:

As you requested, this letter is to confirm that our files indicate your net worth to be in excess of \$21 million.

We are delighted to be of service and hope you will call on us if there is anything further we can do for you.

Sincerely,

*Jan Kruthoffer*



Mr. Rahim M. Irvani  
Chairman  
Melli Industrial Group  
Tehran, Iran

**STRICTLY PRIVATE AND CONFIDENTIAL**

**Background Information and Personal Financial  
Statement of Bahman M. Irvani**

BAHMAN M. IRVANI

Education

1971 - 1974	Pembroke College, Cambridge B.A. (Hon.) Economics
1974 - 1977	Coopers & Lybrand trainee
1977	Associate Chartered Accountant
1982	Fellow of the Institute of Chartered Accountants in England and Wales

Work Experience

1977 - 1979	Management Consulting and Internal Auditing firm of Bahman Irvani & Associates
1980 - 1982	Moorgate Merchants Ltd.
1982 - date	Granite Holdings Inc., President

Personal

Born: 1952  
British Citizen  
Married, three children

Financial Statement

The following items constitute the major real estate assets and liabilities of Ali Irvani:

	<u>Value</u> \$	<u>Mortgage</u> \$	<u>Net</u> \$
<u>Houses</u>			
28 Bracknell Gdns London NW3	3,000,000	--	3,000,000
2135 R Street Washington, D.C.	1,000,000	350,000	650,000
<u>Buildings</u>			
16 Mittleweg Frankfurt, Germany	2,500,000	600,000	1,900,000
✓ 915 15th Street Washington, D.C. (50% Interest)	11,000,000	5,250,000	2,875,000
✓ 1331 H Street - <i>given back to Compt file</i> Washington, D.C. (50% Interest)	17,000,000	11,000,000	3,000,000
✓ 1319 F Street Washington, D.C. (50% Interest)	12,500,000	8,500,000	2,000,000
✓ 1019 19th Street <i>Calvary</i> Washington, D.C. (50% Interest)	23,000,000	14,775,000	4,112,000
✓ Granite Building Buford, Georgia 10,000 square foot fully leased office building (50 percent interest)	1,100,000	--	550,000
Other real estate holdings in Georgia (50 percent interest)	800,000	--	400,000

<u>Value</u>	<u>Mortgage</u>	<u>Net</u>
\$	\$	\$
<u>Land</u>		
Commonwealth Park Buford, Georgia 300 acre light manufacturing park of which 240 acres are being held as investment. Situated in Gwinnet County, being fastest growing county in USA with population in excess of 100,000 in 1984, 1985, 1986 & 1987 (50 percent interest)	8,000,000	--
		<u>4,000,000</u>
		<u>\$25,337,000</u>

Family investments in manufacturing facilities in Georgia and other investments overseas are not included.



320 PARK AVENUE NEW YORK NY 10022

DATE: May 8, 1989

FROM: B.A. Palkhiwala  
 General Manager - U.S.A.

TO: Mr. Imtiaz Ahmed  
 Central Credit  
 BCC, London

SUBJECT: Longacre S.A./AR De Realty N.V.  
Ali & Bahman Irvani

Enclosed a proposal for \$60,000,000 interim financing for acquisition of AR De Realty N.V. by Longacre S.A.

Messrs Ali & Bahman Irvani, the principals, are very well known to BCC group. The relationship dates back to mid 70's. Their activities in the U.S. real estate market has expanded since 1985, although they have held passive property investments in the U.S. since 1976.

Longacre S.A. has been formed by Irvanis to acquire 100% stock of AR De Realty N.V., a Netherland Antilles Corporation, which owns a major New York office building. The ultimate source of funds for the acquisition of shares of AR De Realty N.V. will be the proceeds of a Participation Debt of US \$175,000,000 that Morgan Stanley Realty will place on the building owned by AR De Realty N.V. This loan is based on value of over \$200,000,000 placed by Morgan Stanley.

Total purchase price of AR De Realty N.V. is \$145,000,000 payable as follows:

By assumption of first mortgage (9% fixed interest)	\$ 85,000,000
Cash (loan proceeds of BCC)	\$ 60,000,000
	<u>TOTAL</u>
	<u>\$145,000,000</u>

The building is located on 150 E. 58th Street in the Plaza District of New York's Manhattan and is the primary showroom building for the contract furniture trade in New York. It consists of 550,000 sq.ft. of which approximately 50% are offices and balance is showrooms.

The net operating income of the property, as forecasted by Morgan Stanley, is to be at \$12.5MM in 1989. The building is presently at a 90% occupancy level, and its lobby and common areas have recently been totally renovated. It is in excellent physical condition.

The corporation being acquired, AR De Realty, is a Netherland Antilles Corporation which was formed to own and run the said building. Negotiations with AR De Realty to purchase the building centered on a purchase price range of \$210,000,000 of which 30% or \$63,000,000 would represent U.S. Capital gains taxes.

Re: Longacre S.A./AR De Realty N.V.  
Ali & Bahman Irvani  
May 8, 1989  
Page Two

As a matter of strategy, that allows for overseas tax advantages, the purchase of the shares of this one asset company has been accomplished at \$145,000,000 as against a asset value of over \$210,000,000.

The strategy allows the buyer to pay the seller the net amount they would have received had they sold the building directly i.e. \$147,000,000 (\$210,000,000 less capital gain tax of \$63,000,000).

Under U.S. tax laws, gains in the sale of shares of a foreign corporation registered in the Netherlands Antilles is not subject to U.S. taxes.

The deferred tax carried forward is payable only at the time of the actual sale of the property out of the foreign-owned corporation. As such the Bank being a creditor will have priority in the repayment of its loans and can therefore view this deferral as an equivalent of the buyers equity in the corporation/building.

Morgan Stanley, as you are aware, is one of the premier U.S. Financial & Real Estate institution. They have successfully financed three previous projects of Messrs Irvanis.

Irvani brothers run a very professional and sophisticated operation in the U.S. and deals only with prime banks & institutions like Morgan Stanley, Peat Marwick & Michell, Chadbourne & Parke, etc.

We strongly recommend your approval of enclosed transaction. Our recommendation is essentially based upon the following:

1. Adequately secured - (including \$12 million deposit that will be maintained till repayment, under our lien)
2. Good pricing.
3. Short term.
4. Unquestionable quality of collateral.
5. First class track record of the customer with BCC.
6. Excellent potential for future such business.



- (5) We shall be able to arrange funding from own resources upto \$37MM as follows.

1. Deposit from in borrower	=	\$12,000,000
2. Our own liquidity	=	\$10,000,000
3. Borrowing from Central Treasury	=	<u>\$38,000,000</u>
		<u>\$60,000,000</u>

We shall, however, seek your assistance in organizing the source at #4.

- (5) Letter of comfort from Morgan Stanley has not yet been finalized. Essentially it would explain the logistic of them being optimistic about raising financing from the market within six months. We shall forward the text of said letter for your review before the disbursement.

~~X~~ Per advise of our legal counsels the arrangement listed at Sr #1 is not recommended as it will expose the bank to potential lender liability. Therefore we seek your approval in principle for the facility secured by recorded 2nd mortgage after 1st \$8.5MM.

Copy

IN THE SUPERIOR COURT OF GWINNETT COUNTY  
STATE OF GEORGIA

G + H MONTAGE GmbH,	)
Plaintiff,	)
v.	)
PAHM M. IRVANI; NEWTON	)
COMMONWEALTH PROPERTY, N.V.,	)
a Netherlands Antilles	)
corporation; GWINNETT	)
PROPERTY, N.V., a Netherlands	)
Antilles corporation; GEORGIA	)
INDUSTRIES, INC., a Georgia	)
corporation; GRANITE	)
INDUSTRIAL DEVELOPMENT AND	)
SERVICES CORPORATION, a	)
Georgia corporation; CALVEPT	)
PROPERTY, N.V., f/k/a SAN	)
FRANCISCO POST STREET	)
PROPERTY, N.V., a Netherlands	)
Antilles corporation; OKABASHI	)
(U.S.) CORPORATION, a Georgia	)
corporation; GIF CORPORATION,	)
a Georgia corporation; and	)
EDUCALYPTUS FINANCE, N.V.,	)
a Netherlands Antilles	)
corporation,	)
Defendants.	)

Georgia, Gwinnett County

This is to certify that this is a true and correct copy of Notice to take deposition on file in the State Courts of record in \_\_\_\_\_ Court, Page \_\_\_\_\_ Gwinnett County records.

Given under my official signature and seal of the Court this 21 day of July, 1989.

*Braclot L. Steele*  
Clark Superior Court, Gwinnett County, Georgia

Misc 264-89

CIVIL ACTION  
FILE NO. 88-A-3571-4

NOTICE TO TAKE DEPOSITION

PLEASE TAKE NOTICE that on Tuesday, August 8, 1989, commencing at 1:00 p.m. at the offices of Baker & Hostetler, Suite 1100, 1000 Connecticut Avenue, Washington, D.C., plaintiff G + H Montage GmbH will take the deposition of Bank of Credit & Commerce, International upon oral examination pursuant to the Georgia Civil Practice Act, Sections 26 and 30 (O.C.G.A. §§ 9-11-26 and § 9-11-30). Pursuant to the Georgia Civil Practice Act, Section 30(b)(6) (O.C.G.A. § 9-11-30(b)(6)), deponent is required to designate one or more of its officers, directors, managing agents, or other

persons who consent to testify on its behalf as to matters known or reasonably available to the organization with respect to each of the following:

- (1) All facts or records pertaining to any account with Bank of Credit & Commerce, International in which any of the following persons or entities has or had any direct, indirect or beneficial interest:
  - (a) Rahim M. Irvani;
  - (b) Newton Commonwealth Property, N.V.;
  - (c) Gwinnett Property, N.V.;
  - (d) Georgia Industries, Inc.;
  - (e) Granite Industrial Development & Services Corporation;
  - (f) Calvert Property, N.V.;
  - (g) San Francisco Post Street Property, N.V.;
  - (h) Okabashi (U.S.) Corporation;
  - (i) GIF Corporation;
  - (j) Granite Holding, Inc.;
  - (k) Eucalyptus Finance, N.V.;
  - (l) Bahman Irvani;
  - (m) Ali Irvani;
  - (n) Zinat Irvani;
  - (o) Anbar Montakhab;
  - (p) Maryam Irvani;
  - (q) Nezhat Irvani;
  - (r) Kazem Irvani;

- (s) Fujita (U.S.) Corporation;
  - (t) Kangar Investments;
  - (u) Rivken Property, N.V.;
  - (v) Savoy Investments, A.G.;
  - (w) Sun Investments, A.G.;
  - (x) Capital Shoe Corporation;
  - (y) Moorgate Merchants, Ltd.;
  - (z) Melli Industrial Group;
  - (aa) Melli Shoe Company;
  - (bb) Industrial Development and Services (I.D.S.); and
  - (cc) Transaxial GmbH
- (2) All facts or records pertaining to any loan, financing, or other extension or guarantee of credit to or on behalf of any of the persons or entities listed above in paragraph (1).
- (3) All facts or records relating to each instance in which any of the persons or entities listed above in paragraph (1) guaranteed, co-signed, endorsed, or otherwise offered his, her or its personal credit or assets to induce or secure the extension of credit to anyone.
- (4) All facts or records relating to any safe deposit box ever maintained by any of the persons or entities listed above in paragraph (1).
- (5) All facts or records relating to any ownership interest (whether direct or indirect, legal, beneficial or equitable) in Bank of Credit & Commerce, International

or any bank or company related to or affiliated with Bank of Credit & Commerce, International (wherever located) held by or on behalf of any of the persons or entities identified above in paragraph (1), and all facts or records relating to any attempt of or inquiry by such persons or entities to acquire any such interest in Bank of Credit & Commerce, International or any bank or company related to or affiliated with Bank of Credit & Commerce, International (wherever located).

- (6) All facts or records relating to any business or professional communications or dealings between or among any of the persons or entities named above in paragraph (1) on the one hand, and Bank of Credit & Commerce, International or any bank or company related to or affiliated with Bank of Credit & Commerce, International (wherever located), on the other.
- (7) All facts or records relating to any property interest (whether direct, indirect, beneficial or equitable) or any property owned, possessed, controlled or otherwise held by any of the persons or entities identified in paragraph (1).
- (8) All facts or records relating to any monetary obligation or debt owed by or to any of the persons or entities identified in paragraph (1).
- (9) The identity and regular location of any and all records or other documents relating to any of the facts included

above in paragraph (1) through (8).

(10) All facts regarding the identity, regular location, and subject matter of the records or other documents requested to be produced at the deposition described hereto.

PLEASE TAKE FURTHER NOTICE that with this Notice To Take Deposition, deponent is being served with a Subpoena Duces Tecom, and will be requested to produce the documents listed on Exhibit A attached hereto.

The deposition of the deponent is being taken for the purposes of discovery and any other purpose authorized by the Georgia Civil Practice Act and will continue from day to day until the examination is completed. The deposition will be conducted before a court reporter or other person authorized by law to administer oaths and transcribe testimony. You are invited to attend and examine the witness.

This 21 day of July, 1989.

G. Dean Booth 6-255  
G. Dean Booth  
Georgia Bar No. 067900

L. Dale Owens 6-255  
L. Dale Owens  
Georgia Bar No. 557482

Booth, Wade & Campbell  
56 Perimeter Center East  
Suite 410  
Atlanta, GA 30346  
Attorneys for Plaintiff  
G + H Montage GmbH

Mr. B. A. Palkhiwala  
BCCI, New York  
Page Five

Appendix I  
To Letter Dated May 1, 1989

Previous transaction of a similar nature completed with BCCI Group are recounted below in order to display the strategy employed. This is confidential and for BCCI use only.

<u>Date</u>	<u>Event</u>
Nov 1987	Property Company owned by non-U.S. sellers identified with a contingent tax liability.
Dec 1987	Property Company sold its property for \$12,500,000 and agreed to sell the company, plus its contingent tax liability to Eastbild for \$8,500,000.
Jan 1988	\$8,000,000 was borrowed from BCCI agency to acquire shares - a 12 month facility.
Apr 1988	The sales proceeds of \$12,500,000 was used to purchase a building in Washington D.C. qualifying the Buyer (ourselves) to defer \$4,000,000 of taxes indefinitely until a resale of that property.
May 1988	Refinanced the Acquired Building by \$11,000,000 of non-recourse debt indicating that the asset was purchased at a very favorable price. Morgan Stanley was used to obtain financing on the property.
May 1988	BCCI loan of \$8,000,000 was repaid from the mortgage proceeds (12 months loan repaid in 4 months).

The New York transaction is more simple than the above transactions in that:

(i) All legal and tax matters relating to these transactions have been studied and fine-tuned by us.

(ii) At the time of borrowing the \$8,000,000, the building to be purchased was not identified so a take-out could not be detailed.

(iii) With AR De Realty N.V., Morgan Stanley has already started the process of refinancing and has excellent feedback from the marketplace.

Mr. B. A. Palkhiwala  
 BCCI, New York  
 Page Six

Appendix II  
Resale Price & Facility

EXAMPLE #1:

Sale Price in year X based on a very conservative basis assuming no appreciation in property values in Manhattan's prime sections:

		\$210,000,000
Less:	Loan	( 85,000,000)
	Loan	( <u>60,000,000</u> )
		65,000,000
	Tax (approximately)	( 60,000,000)
		<hr/>
Balance:		<u>\$ 5,000,000</u>

EXAMPLE #2:

Sales Price in year X based on falling real estate value, assuming worst case scenario:  
 say:

	\$180,000,000
Less:      Loans: \$85,000,000 + \$60,000,000	( <u>145,000,000</u> )
	\$ 35,000,000
Taxes:	( <u>35,000,000</u> )
	<u>\$ nil</u>

With this scenario the IRS receives the balance available as full payment of its dues on the property, even though the original tax base was \$60,000,000. The fall in the value of property is passed on as a tax reduction as under U.S. tax regulations creditors come first in repayment priority and losses are tax deductible.

The effect of the above is to demonstrate that the bank is always secured even in the worst case basis.



## FAX TRANSMISSION

B.C.C.

22.05.89

198

TO: MR B A PALKHIWALA/MR SHAHZAD RAHEEM,  
BCCI, USRO, NEW YORKFAX NO.  
RECEIVED NO. OF PAGES ONE

212 715 2880

REF. NO.

RE : LONGACRE SA

WITH REFERENCE TO THE ABOVE CREDIT APPLICATION WHICH WAS ALSO THE SUBJECT OF DISCUSSION WITH YOURSELF IN LONDON, THE MAIN ISSUES INVOLVED ARE AS FOLLOWS:

- (1) THE PROPOSAL INVOLVES SUBSTANTIAL EXPOSURE EVEN IF A SECOND RECORDED MORTGAGE WERE AVAILABLE(.) IN ITS PRESENT FORM, THE PROSPECT OF EXTENDING A FACILITY ON THE BASIS OF AN UNRECORDED MORTGAGE IS QUITE FORMIDABLE(.)
- (2) FOR CALCULATION OF EQUITY WE HAD DEDUCTED THE AMOUNT OF CAPITAL GAINS TAX THAT WOULD BECOME PAYABLE(.) PLEASE CONFIRM WHETHER IT WILL BE POSSIBLE TO DEFER THIS TAX FOR ANY PROSPECTIVE BUYER OF THE PROPERTY AND THAT THIS FACILITY IS NOT RESTRICTED TO, FOR EXAMPLE OVERSEAS BUYERS ONLY, ETC(.)
- (3) WE WERE INFORMED THAT A DIRECT LIEN MAY NOT BE POSSIBLE - IF THIS FACILITY IS TO BE PROGRESSSED THE CENTRAL CREDIT COMMITTEE WILL CERTAINLY INSIST ON A LIEN BEING PERFECTED ON THE DEPOSITS OF US\$12 MILLION(.)
- (4) WE WERE INFORMED THAT US\$500,000 IS PAYABLE AS FRONT-END FEE - THE CENTRAL CREDIT COMMITTEE ON SUCH A DEAL WOULD BE LOOKING AT THE REGION OF ~~3%~~ FLAT IN COMMISSION FEES(.)
- (5) EVEN IF THE CENTRAL CREDIT COMMITTEE WERE TO APPROVE THE CREDIT RISK INVOLVED WE WOULD STILL NEED TO EXPLAIN THE FUNDING ARRANGEMENTS(.)
- (6) AS DISCUSSED IN LONDON WE AWAIT TEXT OF THE LETTER OF COMFORT THAT WILL BE AVAILABLE FROM MORGAN STANLEY(.)

REGARDS(.)

  
 KHALID SHARWANI  
 CENTRAL CREDIT DIVISION

**DRAFT**

May 26, 1989

Mr. Khalid Sharwani  
Central Credit Division  
BCC, London

RE: Longacre S.A.

Reference your message of May 22, 1989.

- (1) We are exposed to the risk of customer obtaining additional funding against junior recorded mortgage without our approval/information.

Since 100% stocks of the corporation will be pledged to BCC, therefore one of the officers of the bank could be nominated as ex-officer director of the corporation whose signatures will be essential on all the actions of the corporation. As such any additional financing request would only be legal if signed by the said officer.

In case of default, however, we will foreclose on shares of the corporation and become 100% owner of the assets of the corporation.

- (2) In case of foreclosure, the secured creditors get priority over all others except property taxes & EPA & Federal liens. This has confirmed by our legal counsel, White & Case.

Gain tax & other IRS liens come behind the secured creditors. However, if IRS records their lien prior to us doing so, our exposure stand a risk of being treated as <sup>junior</sup> to that of <sup>secondary</sup> IRS.

In this particularly case the property taxes are being paid thru the first mortgage holder & there is no violation as far as EPA (Environmental Protection Agency) is concerned.

- (3) Lien on deposit will be perfected before any drawdown is permitted.
- (4) Front end fee will be negotiated upwards after receipt of your agreement in principle.



LATIN AMERICA & CARIBBEAN REGIONAL OFFICE  
100 BRICKELL AVENUE, 10TH FLOOR, MIAMI, FLORIDA 33131-3888 U.S.A.

DATE: 1/30/89 CRT/3887

FROM: Bande Hasan TO: Mr. Hassan Parvez  
BCC Miami Agency  
SUBJECT: Irvani Group

We enclose copy of approval note received from Central Credit Division London for a short term loan facility of US\$3 million along with the correspondence exchanged in this connection for your information and records. We also enclose draft copy of a letter addressed to Mr. Bahman M. Irvani with a demand promissory note to be signed by him. We shall be pleased (subject to the acceptability of the letter by you) that the letter is sent to Mr. Irvani. The terms and conditions of the facility have been spelled out in the letter and the enclosed correspondence. The loan is to be disbursed on completion of all the formalities.

In case you require any assistance in connection with completion of formalities, please let us know.

Regards,

Bande Hasan  
\_\_\_\_\_  
/m/B.

Enclosures



**BANK OF CREDIT AND COMMERCE INTERNATIONAL  
(OVERSEAS) LIMITED**  
LATIN AMERICA AND CARIBBEAN REGION  
ADMINISTRATIVE OFFICE 1200 BRICKELL AVENUE MIAMI FLORIDA 33131

CRT/3957  
February 8, 1989

Mr. Bahman M. Irvani  
Granite Industrial Development &  
Services Corporation

Dear Mr. Irvani:

**Loan**

With reference to your letter dated February 7, 1989 requesting for a loan for US\$500,00, we advise as under:

1. We have not to date received confirmation from our branch in London and Frankfurt as to the interest of BCC Nassau having been registered in the mortgage at Greenway Gardens, U.K. and the commercial property at Frankfurt, Germany.
2. You have completed the documents which mentions overdraft whereas you have requested for a loan.
3. The letter of disbursement has to be executed at the date of the finalization of the loan.
4. We enclose account opening form and specimen signature card for an account to be opened in your name at BCCI Nassau, Bahamas. Please return these forms to us duly completed and signed. Please note that we shall only be in a position to disburse the loan after the completion of all formalities.

Regards,

  
S.U. Sakrani

/mm

Enclosures



BANK OF CREDIT AND COMMERCE INTERNATIONAL  
 (OVERSEAS) LIMITED                   LATIN AMERICA AND CARIBBEAN REGION  
 ADMINISTRATIVE OFFICE   1800 BRICKELL AVENUE   MIAMI FLORIDA 33131

CRT/3957  
 February 8, 1989

Mr. Bahman M. Irani  
 Granite Industrial Development &  
 Services Corporation

Dear Mr. Irani:

Loan

With reference to your letter dated February 7, 1989 requesting for a loan for US\$500,00, we advise as under:

1. We have not to date received confirmation from our branch in London and Frankfurt as to the interest of BCC Nassau having been registered in the mortgage at Greenway Gardens, U.K. and the commercial property at Frankfurt, Germany.
2. You have completed the documents which mentions overdraft whereas you have requested for a loan.
3. The letter of disbursement has to be executed at the date of the finalization of the loan.
4. We enclose account opening form and specimen signature card for an account to be opened in your name at BCCI Nassau, Bahamas. Please return these forms to us duly completed and signed. Please note that we shall only be in a position to disburse the loan after the completion of all formalities.

Regards,

*Sakrani*

S.U. Sakrani

/mm

Enclosures



LATIN AMERICA & CARIBBEAN REGIONAL OFFICE  
1500 BRICKELL AVENUE, 18TH FLOOR, MIAMI, FLORIDA 33131-3298 U.S.A.

DATE: 5/2/89 CRT/4541

FROM: Bande Hasan

TO: Mr. Intiaz Ahmed  
Central Credit Division  
BCCI London

SUBJECT: Mr. Bahman M. Iravani Loans US\$3 Million

We invite your kind attention to our memo CRT/4456 dated 4/21/89 and shall be thankful to receive your early instructions in the matter (copy enclosed for your ready reference).

Regards,

*Bande Hasan*  
Bande Hasan

Enc.



**LATIN AMERICA & CARIBBEAN REGIONAL OFFICE**  
1200 BRICKELL AVENUE, 15th FLOOR, MIAMI, FLORIDA 33131-3308 U.S.A.

DATE: May 5, 1989 CRT/4593

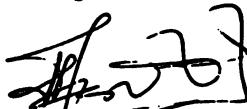
FROM: Shabbar Jawaid  
  
SUBJECT: Mr. Bahman M. Irani  
Loan Us\$3 Million

TO: Mr. Khalid Sharwani  
Central Credit Division  
BCCI London

We refer to your memorandum dated 28th April, 1989 conveying Central Credit Committee's approval of bridging loan facility of US\$3 million in favour of above customer.

Copy of corporate unit letter said to have been enclosed with your memo was not received which please forward.

Regards,

  
Shabbar Jawaid

/mm

**RESPONSES OF SECRETARY MULHOLLAND TO QUESTIONS ASKED BY SENATOR KERRY**

*Question.* Did the information provided to you by the CIA concerning BCCI in 1985 include any references to any interests held by BCCI in the United States? If so, please identify the references.

Answer. I do not recall any reference to interests held by BCCI in the United States in the CIA information provided me in 1985. Secondary documents prepared by CIA (identified in the answer below), however, suggest that such references were contained in the 1985 CIA information.

*Question.* Did you undertake any action at Treasury in response to receiving the information from the CIA in 1985? If so, please specify each such action undertaken.

Answer. I do not recall any action I took in response to the information received from CIA in 1985. As I testified to the Subcommittee, however, secondary documents prepared by CIA indicate that I presented such information on one occasion to then-Secretary Donald Regan and, subsequently, to a senior official in the Office of the Comptroller of the Currency (OCC).

*Question.* Apart from the 1985 memorandum regarding BCCI prepared by the CIA, did you obtain information regarding BCCI in 1984 or 1985 from any other source?

Answer. I have no recollection of receiving information on BCCI in 1984 or 1985 from any source other than CIA.

*Question.* To whom in the U.S. Government did you provide information regarding BCCI in 1985? Please identify the documents provided in each case, and the substance of what was discussed to the extent it related to any interest held by BCCI in the United States.

Answer. I do not recall having provided information on BCCI to anyone in the U.S. Government in 1985. As noted in my answer to questions 1 and 2, however, secondary documents indicate I showed CIA-provided information to Secretary Regan and an OCC official in 1985 and that this CIA-provided information contained references to interests held by BCCI in the United States.

*Question.* You referred to "secondary source documents" in your testimony as the only source for information, apart from personal recollection, which you have had for your testimony pertaining to BCCI. Please identify these "secondary source documents," and the dates you reviewed each such document.

Answer. My use of the term "secondary source documents" referred to two documents:

—A chronology prepared by CIA in August 1991 of BCCI related material for the period November 1984 through April 1985 based on classified cables. I probably received this report in late summer or early fall of 1991.

—Excerpts from a classified CIA cable concerning BCCI dated April 1985, which I received sometime in December 1991.

*Question.* Did you ever ask for information concerning BCCI's interest in U.S. institutions from the CIA? If so, did the CIA provide you with information regarding this issue?

Answer. I do not recall asking CIA for information on BCCI's interest in U.S. institutions, but a secondary source document indicates that I did make such a request and apparently was provided with the name of a bank holding company.

*Question.* Did you learn of any action taken by Secretary Regan in response to receiving information in 1985 through you concerning BCCI? If so, please specify.

Answer. I have no knowledge of any action taken by Secretary Regan on BCCI in response to information I provided him in 1985.

And I want to thank all of you very much for taking the time to be here today. We appreciate it. We stand adjourned.

[Whereupon, at 4:55 p.m., the hearing adjourned, to reconvene at 9:36 a.m., March 18, 1992.]



## BCCI INTERNATIONAL CRIMINAL ACTIVITY

---

WEDNESDAY, MARCH 18, 1992

U.S. SENATE,  
SUBCOMMITTEE ON TERRORISM, NARCOTICS, AND  
INTERNATIONAL OPERATIONS  
OF THE COMMITTEE ON FOREIGN RELATIONS,  
*Washington, DC.*

The subcommittee met, pursuant to notice, at 9:36 a.m., in room SD-419, Dirksen Senate Office Building, Hon. John F. Kerry (chairman of the subcommittee) presiding.

Present: Senators Pell, Kerry, and Brown.

Senator KERRY. The Subcommittee on Narcotics, Terrorism, and International Operations will come to order. I know that Senator Brown is shortly going to be here. And are going to commence, with his indulgence, in order to try to run through some initial comments on a number of different subjects.

This is yet another in the series of hearings that we have been holding on the BCCI affair. Today, we are going to hear from Federal prisoner Nazir Chinoy. He was formerly the head of BCCI's Paris office, and he has been convicted of drug money laundering in the Tampa case against BCCI.

Mr. Chinoy, for the record, is here under a writ that was unanimously granted in November by the Foreign Relations Committee. At the request of law enforcement we have delayed his appearance here for 3 months, until he could first be interviewed by representatives of the Justice Department and the New York District Attorney's office.

I would like to express my appreciation to both of them, and particularly I would like to express my appreciation to the Justice Department at this point. I know that many people are aware that there have been some wranglings and tanglings between this committee and Justice. But as I have said, I think that Robert Mueller, the head of the criminal division, has been earnestly trying to create a cooperative atmosphere between us. And I think that has happened and is happening, and I appreciate the cooperative effort with respect to the appearance of this particular witness.

Before he testifies, there are a couple of issues that I wish to raise, one of which involves, I think, a fundamental question of a conflict of interest involving BCCI and President Bush's campaign. In recent days we have learned through public articles, an article that appeared on the front page of the Wall Street Journal, that President Bush's deputy presidential campaign manager, Mr. James Lake, is today simultaneously representing another major

figure within the BCCI question, and that is Sheikh Zayed of Abu Dhabi.

This committee has drawn no conclusion whatsoever about Sheikh Zayed's role or anyone's role in Abu Dhabi. But there is a sufficient body of evidence and questions that suggest that there are yet unanswered questions regarding the role of Abu Dhabi and the role of the family with respect to the activities of BCCI.

It is impossible not to question the propriety of the President of the United States' campaign being managed by someone who is simultaneously being paid over \$200,000 every 3 months to represent BCCI's biggest shareholder. Now I do not know precisely what services Mr. Lake is providing Sheikh Zayed pertaining to BCCI and I do not know what precise services he is providing to President Bush's campaign as deputy campaign manager, but I do know that there appears to be an impropriety in that relationship, there is the appearance of it.

The American public needs to have confidence that no one is in a position to act as a BCCI fixer. Last fall, before his campaign was underway, the President was sensitive to this and he moved quickly to distance himself from a former White House aide who, like Mr. Lake, was representing a major BCCI figure.

To be blunt, I do not believe that Mr. Lake should be sitting in on White House campaign strategy meetings while he is also providing strategy to Sheikh Zayed on how to deal with problems arising out of his ownership of BCCI. I therefore call on President Bush to ask Mr. Lake to resolve this question of conflict one way or the other; either to cease representing the sheikh, or more appropriately, frankly, because of the existence of the relationship and the appearance, to resign from his position with the President's campaign.

It seems to me that that is appropriate, and especially necessary in light of the actions that have already taken place and that are on the record with respect to U.S. Government involvement in the BCCI question. In past hearings we have learned of CIA use of the bank. Questions still linger about that involvement. We have learned of BCCI's use of agricultural guarantee programs of this country, of BCCI's ties to various United States political figures.

Recently in the investigation that my staff has done with respect to the role of former White House political director Ed Rogers in connection with BCCI front man Kamal Adham, we have learned that Mr. Rogers met Saudi arms broker Adnan Khashoggi before agreeing to represent Adham in the United States, and that he discussed the representation with Mr. Khashoggi.

Perhaps the meeting with Khashoggi and Rogers was entirely innocent. On the other hand, it is odd that Rogers met with Khashoggi and discussed Adham prior to taking the account, given Khashoggi's own relationship to BCCI and to the U.S. Government. Mr. Khashoggi had a number of accounts at BCCI and he made use of the bank in Paris, London, and the Grand Caymans.

Moreover, Mr. Khashoggi used BCCI to finance secret shipments of weapons from the United States to the Ayatollah Khomeini's government in Iran, as part of the Iran Contra affair. Those weapons shipments were financed by BCCI and they came from the U.S.

Government through the Israeli Government, and from there to the Government of Iran.

As Mr. Chinoy will testify, himself, today, he learned personally of at least nine separate arms deals from the United States through Israel to Iran, involving BCCI and Mr. Khashoggi. This is almost twice the number of deals that Khashoggi was officially involved in on behalf of the U.S., according to the Iran Contra committee investigations.

So Mr. Chinoy's testimony this morning raises the question of whether the Iran Contra committee may have missed several transactions in which the U.S. sold arms to Iran in violation of the official embargo on such sales. We are not going to have the final answer on those questions that are raised, here today, but what is clear is that Mr. Khashoggi's role in BCCI and in providing covert assistance to the U.S. Government over an extended period, bears a more scrutiny than it has received to date.

Now on a second issue, before we continue, I would like to express, as I did yesterday in answer to an inquiry from the Wall Street Journal, my astonishment at an advertisement that appeared in the Washington Post this morning and in the Wall Street Journal yesterday. It is an offer of bearer certificates in foreign currency by a Pakistani bank. And what it offers is, in boldface print, no income tax, no wealth tax, no identity to be disclosed, no questions asked about source of funds.

This advertisement is directly in flagrant violation of everything that bankers in this country and that those in law enforcement have talked about with respect to money laundering and the so-called war on drugs. It is incredible enough that it would appear in the papers. It is even more incredible that banks are allowed to advertise and continue this kind of practice, notwithstanding the fact that all over the world leaders are decrying the impact of drug smuggling and money laundering, and the pervasive and insidious impact of money on our political process and on decisions that are made in the public sector.

[The information referred to follows:]

Wall St. Journal p.c14 3.17

# BEARER CERTIFICATES IN FOREIGN CURRENCY

**Guaranteed by the Government of Pakistan**  
5-Year Bearer Certificates in U.S. Dollars, Deutsche Marks, Pound Sterling  
and Japanese Yen will be issued in the following denominations:

U.S. Dollars	100, 500, 1000, 5000, 10000 and 100000
Deutsche Marks	100, 500, 1000, 5000, 10000 and 100000
Pound Sterling	100, 500, 1000, 5000, 10000 and 50000
Japanese Yen	10,000, 50,000, 100,000, 500,000, 1,000,000 and 10,000,000

These Certificates will be issued at par and mature on completion of 5 years from the date of issue.

- No Income Tax!
- No Questions Asked About Source of Funds!
- No Identity to be Disclosed!



Rates of annual return on Certificates denominated in:  
Pound Sterling : 11.75%  
Deutsche Mark : 10.25%  
US Dollar : 8.75%  
Japanese Yen : 7.75%  
able on half yearly basis

ates are valid  
upto 30th April, 1992.

On Sale in Pakistan  
from 15th March,  
abroad from  
23rd March

Authorised banks at home and abroad will issue Certificates, pay return periodically and repay principal on maturity.

These Certificates can be purchased without limit by individuals, firms, institutions and bodies corporate excluding banks and financial institutions operating in Pakistan.

These Certificates can be purchased on payment of the value in respective foreign currency. No application or registration is required.

Payment for purchase of the Certificates shall be made from a foreign currency account held in Pakistan, remittance from abroad in favour of the Office of Issue, tender of respective foreign currency notes or Travellers Cheques or encashment proceeds of Foreign Exchange Bearer Certificates.

No charge shall be levied at the time of issue or payment of return or maturity proceeds.

The return on the Certificates shall be payable half yearly on presentation of the Certificates together with the coupons attached therewith at the Office of Issue.

- Payment of periodical return and principal on maturity will be made by issue of respective foreign currency notes, allowing credit to the Foreign Currency Account, issuing Demand Draft, Telegraphic Transfer, Mail Transfer, and Travellers Cheques or at the option of the bearer in Pak. rupees.
- These Certificates may be encashed after two years from the date of issue at a penalty of 1.5% per annum for the unexpired period.
- Banks can discount these Certificates in foreign currency after two years from the date of issue.
- Banks can also discount these Certificates in local currency any time after issue.
- Banks can make advances in local currency against the security of these Certificates.
- Being bearer, no claim of any nature will be entertained in case any Certificate is lost, stolen, destroyed, mutilated or burnt.

For any further information please contact Securities Department,  
STATE BANK OF PAKISTAN, 11th Floor, Shafiq Complex,  
M.R. Kayani Road, Karachi. Tel: 515818 - 5680192.

HORISED BANKS: Habib Bank, National Bank of Pakistan, Muslim Commercial Bank, United Bank, Allied Bank of Pakistan, Industrial Development Bank of Pakistan, Women Bank, Bank Commerce Al-Habib, Union Bank, American Express Bank, Bank of America, Bank of Tokyo, Bank of Oman, Standard Chartered Bank, Citibank N.A., c Manhattan Bank, Deutsche Bank, ABN - AMRO Bank, Banque Indosuez, ANZ, Vizagalys Bank, Middle East Bank, Emirates Bank International, Hongkong Bank, Doha Habib Bank A.G., Zurich Int. Fin. Investment & Com. Bank, Rizqat Bank, P.T. African Bank & Societe Generale French Bank.

This is corporate crime on its face. And the fact that people are allowed to hide their money, that sources are not identified, that people do not know where it is going—a time-honored tradition, I might add, in many offshore banks—is something that we have been struggling to change through this committee over the last 5 or 6 years.

Here, in the wake of the BCCI scandal, is a Pakistani bank openly offering to attract money that comes from no source, no questions asked. And all of that, my friends, as everybody knows, feeds the drug war. Those banks that engage in that kind of activity are as guilty of moving drugs into the veins of the kids of this country as any street corner pusher. And, in fact, maybe more so because they stand at a distance from it, they are not accountable, and they are harder to hold accountable.

They are the facilitators, the great facilitators of criminal activity. And unless the international community brings the hammer down hard on that kind of activity, our law enforcement officers are going to be swimming increasingly upstream in a dangerous, dangerous game that is, as we have seen in Colombia and in Panama and in other countries, literally stealing governments from their people. This committee has sought hard to try to underscore the linkage between international money laundering, drug smuggling, and national security. This is a national security issue, and we hope people will face up to it.

Now, in our last hearing in front of this committee, an issue arose regarding a missing CIA memo. My staff has since reviewed material, with the cooperation of Director Gates and the CIA, pertinent to that memorandum. That memorandum is in the process of being declassified and the declassified material will answer basic questions about what the CIA told Treasury about BCCI and the First American Bank in 1985, and what the Treasury did in response.

[This material was declassified on April 9, 1992 by the CIA and is attached hereto.]

**DECLASSIFIED CIA REPORT**

9 April 1992

**Background:**

In the early 1980s, as part of the overall U.S. Government effort to stop international narcotics trafficking, the Agency began collecting strategic foreign intelligence on narco-dollar money laundering.' A successful intelligence collection operation in the Caribbean developed operational leads to several major foreign banks, including BCCI, suspected of narcotics money laundering. Pursuing these leads, CIA initiated a mutually productive dialogue with international banking experts at the Office of the Comptroller of the Currency to determine how CIA could meet OCC's intelligence needs. In late 1984, Agency officers met with a senior official from OCC who expressed interest in a broad range of international financial intelligence CIA could provide. One of several issues in which the OCC official expressed interest was the takeover efforts and suspicious activities of institutions such as BCCI, which he specifically cited for its spectacular growth and the mystery surrounding its activities. In a later meeting, a Treasury intelligence liaison official expressed the interest of that organization in BCCI because of a possible concern about the less than wholesome reputation of the bank.

Foreign Intelligence Collection:

In late 1984 and early 1985, the Agency collected some intelligence on BCCI and disseminated the information to the Treasury Department. The foreign intelligence provided to Treasury dealt with several activities, including the following information.

The primary goal of BCCI senior management was growth in deposits at all branches internationally. The strategy being employed by BCCI to achieve rapid growth in assets and profits included manipulation of international financial markets and bribery, which was an approved policy encouraged by senior executives, including the general managers and President Abedi. The objectives of BCCI included developing both profits and political/economic leverage in the Near East, Africa, and Asia through the use of a tremendous volume of financial assets. BCCI expansion in the United States included the secret ownership of the Washington, D.C.-based bank holding company with which BCCI was affiliated. All of the shareholders in the Washington, D.C.-based bank holding company were fronts for BCCI. BCCI loaned them the capital to make the purchase in return for their shares as collateral, which was regarded as a sensitive secret within BCCI management circles. If all of BCCI's assets in the U.S. were included in their balance sheet, the bank would be much higher in the worldwide ranking of the top one hundred financial institutions.

The Agency-Treasury Dialogue:

CIA provided this foreign intelligence to the Treasury intelligence community liaison representative in January 1985, who reported to CIA that he carried it directly to the Secretary for his further disposition. The Treasury intelligence liaison officer also recommended only two persons in the Comptroller hierarchy see this material, which he described as "dynamite." The liaison officer praised this information, promised to keep the Agency fully informed of Treasury's reaction to it, and provided follow-up collection requirements to the Agency. These included a request for examples of BCCI management encouraging the use of bribery. The Treasury liaison officer also requested the name of the Washington, D.C.-based bank holding company owned by BCCI and the names of any other U.S.-based companies controlled by BCCI.

In April 1985, Agency officers had a curiously unsatisfactory discussion with the Treasury intelligence liaison representative concerning BCCI activities reported earlier by the Agency. The Treasury official explained that the position of the Treasury enforcement offices was that the BCCI activities reported by the Agency were not surprising and complemented the general picture Treasury had of BCCI. The Treasury officer stated that although his organization was interested in BCCI's activities to manipulate an international financial market and in the bank's buying into the U.S. along the lines of its acquisition of Financial General Bankshares, Treasury was not concerned enough to levy further collection requirements on the Agency. The Treasury intelligence

liaison officer said that money laundering remained the major focus of Treasury's enforcement side.

We are still trying to get information from the CIA about an entity called Capcom, which was BCCI's commodities affiliate, and which BCCI used for massive money laundering. Last week the CIA advised me that they are carefully examining the Capcom issue and will have information regarding Capcom available for the subcommittee soon.

Today, in addition to testifying about Iranian arms deals, Mr. Chinoy will testify about a wide range of criminal activities in which BCCI participated in around the globe. Mr. Chinoy will testify, for example, about BCCI's techniques for obtaining favors from officials in countries around the world. He will testify about BCCI's protocol department in Pakistan and the services it provided for foreign dignitaries; BCCI's relationship to First American Bank and its transactions with CenTrust; the role of key front men like Ghaith Pharaon and Mohammed Hammoud at the bank; and BCCI's many techniques for money laundering.

So, Mr. Chinoy, we welcome you here today and appreciate the fact that you will testify. I would simply say that this committee, obviously, is working cooperatively with law enforcement authorities, and Mr. Chinoy will be called on, no doubt, to testify in future cases.

This committee does not want to create any problems with respect to any of those cases, obviously. We are in the same ball game here and we have the same interests. So I would ask representatives of the Justice Department or elsewhere that if they think there is some issue of concern arising, that we stop and they so state to us in order to preclude any possible questions subsequently.

We are joined by the chairman of the full committee, the Foreign Relations Committee, Senator Pell, and I would turn to him for any opening comments he might have.

The CHAIRMAN. I have no comments, I just wanted to wish you well in what you are doing. We look with favor upon this hearing and we congratulate you for holding it.

Senator KERRY. Thank you very much. Mr. Chinoy, would you stand please so that I can swear you in. Would you raise your right hand. Do you swear to tell the truth, the whole truth, and nothing but the truth, so help you God?

Mr. CHINOY. I swear to speak the truth, so help me God.

Mr. LAURO. Senator, I have one small matter.

Senator KERRY. Would you just identify yourself for the record?

#### TESTIMONY OF JOHN F. LAURO, ESQ., ZUCKERMAN, SPAEDER, TAYLOR, & EVANS, TAMPA, FL

Mr. LAURO. Yes. My name is John Lauro. I am Mr. Chinoy's counsel in Tampa, Florida. As you know, Mr. Chinoy has entered into a plea in cooperation agreement with the United States Department of Justice. Under that agreement he pled guilty to certain charges in Tampa, Florida, and also agreed to cooperate extensively with all law enforcement authorities as well as other agencies of the United States.

As part of that agreement, he is extended certain typical protections regarding statements that he makes in the course of the coop-

eration and in the course of the proffer that he gives to law enforcement authorities. We have written the Justice Department to confirm that his appearance today is pursuant to that plea and co-operation agreement, and that the same protections that would apply with respect to his proffer and cooperation with the United States Department of Justice would equally apply to his testimony here today.

I am assuming, since I have not heard back from the Department of Justice, that that is our understanding, and on that basis we are moving forward. I understand, in addition, that there are representatives from the Department of Justice here today. I am assuming that no one will object to that understanding, and I just wanted to make that clear on the record.

As you know, Mr. Chinoy has been cooperating extensively with Department of Justice representatives who, in my view, at least the ones particularly in Miami and in Washington, have done everything possible to maximize his cooperation. He is an extraordinarily significant witness to the Department of Justice, and of course is doing this at great personal risk. But I just wanted to make very clear on the record that this appearance before the committee is, of course, pursuant to his ongoing cooperation with the U.S. Government.

Senator KERRY. Thank you very much, Mr. Lauro. Let me confirm that indeed Justice is aware of that. Staff has discussed that; we know of no objection from Justice. And I would like the record also to show that this committee has entered into no agreements, made no proffers. There is no immunity offered by this committee. There has been no discussion with respect to any intercession of any kind by this committee, and that is your understanding also, is it not?

Mr. LAURO. That is absolutely correct.

Senator KERRY. With that stated, Mr. Chinoy, let me ask you your full name and current status for the record, please. But first, would you pull the microphone closer to you.

#### TESTIMONY OF NAZIR CHINOY, FEDERAL PRISONER, FORMER GENERAL MANAGER, BANK OF CREDIT AND COMMERCE INTERNATIONAL IN PARIS

Mr. CHINOY. My full name is Nazir Chinoy.

Senator KERRY. Again, pull the mike closer, and you will find that everybody can hear you better.

Mr. CHINOY. My full name is Nazir Chinoy.

Senator KERRY. And your current status?

Mr. CHINOY. I am presently a—

Senator KERRY. You are a Federal prisoner, is that correct?

Mr. CHINOY. A Federal prisoner with the Department of Justice of the Tampa prosecutors.

Senator KERRY. Why are you in prison today?

Mr. CHINOY. On December 19, 1991, I entered into a plea agreement and pled guilty to certain charges. And since then I have been cooperating with the Department of Justice and other law enforcement agencies, particularly in New York, Manhattan District Attorney's office in New York.

Senator KERRY. And the charges that you pled guilty to, essentially in summary, were charges of drug money laundering in connection with the BCCI case in Tampa. Is that correct?

Mr. CHINOY. That is correct, Senator.

Senator KERRY. Have you been sentenced yet?

Mr. CHINOY. Not yet.

Senator KERRY. So you are in the process of cooperating with Justice, the New York District Attorney, and Congress. Is that correct?

Mr. CHINOY. Yes.

Senator KERRY. And you will be sentenced at the end of March.

Mr. CHINOY. Sometime in April, sir.

Senator KERRY. Now let me ask you some broad, general questions before we narrow it down to the specifics. During your time at BCCI, did you engage in money laundering for flight capital?

Mr. CHINOY. Yes, sir.

Senator KERRY. Did you help people evade taxes in many countries?

Mr. CHINOY. Yes, sir.

Senator KERRY. Did you help countries evade World Bank regulations?

Mr. CHINOY. Yes, sir.

Senator KERRY. Was criminal activity of this nature systematic at BCCI during the time you were there?

Mr. CHINOY. Yes.

Senator KERRY. Did you agree to move funds for an American money launderer named Robert Musella after he told you that his customers sold cocaine the way Lee Iacocca sold cars?

Mr. CHINOY. Yes.

Senator KERRY. During the time you were at BCCI, did you discuss the sales of U.S. arms through Israel to Iran with Adnan Khashoggi?

Mr. CHINOY. Yes.

Senator KERRY. And did Mr. Khashoggi do arms sales to Iran through BCCI?

Mr. CHINOY. Yes, that is correct.

Senator KERRY. Did BCCI provide services to Iran Contra arms salesman Manuchar Ghorbanifar?

Mr. CHINOY. Yes.

Senator KERRY. Did you handle transactions for BCCI involving CenTrust Bank in Florida?

Mr. CHINOY. Yes.

Senator KERRY. Did you become aware of BCCI procuring prostitutes for the families of Middle Eastern rulers as part of being a full service bank?

Mr. CHINOY. Yes. We call them—they are referred to as singing girls in Pakistan.

Senator KERRY. As what?

Mr. CHINOY. As singing and dancing girls, in Pakistan.

Senator KERRY. And did you learn of BCCI making payments to officials in Africa in order to get their business?

Mr. CHINOY. Yes.

Senator KERRY. Were you ever told that First American, in the United States, was a BCCI bank?

**Mr. CHINOY. Yes.**

**Senator KERRY.** Were you told that the head of First American, Mr. Altman, was the lead man for BCCI in the United States?

**Mr. CHINOY. Yes.**

**Senator KERRY.** Now I want to, obviously, examine these areas in some detail. But before we do that, I would like to establish for the record something about you, about who you are and how you came to be involved with BCCI. Could you share with us some of your background?

**Mr. CHINOY.** I was born in India in 1933, educated there, got my bachelor's degree from the University of Bombay, and then went to London to do my professional banking and studied at Catford College of Commerce and Economics, and there did my Institute of Banking Examination. Then I joined Grindlay's Bank in 1958, and I worked with Grindlay's from 1958 to 1964.

In 1964, I joined Bank of America as the business development officer, and I was with Bank of America from 1964 to 1978. During this period, I had an opportunity to get exposure in different countries, including training in San Francisco, Los Angeles, New York, and eventually, when I left Bank of America in 1978, I was the manager for Lahore in northern Pakistan.

**Senator KERRY.** Manager for Bank of America?

**Mr. CHINOY.** For Bank of America. 1978, October, I joined BCCI. I joined BCCI in London and was sent to Pakistan.

**Senator KERRY.** You were personally interviewed and hired by Mr. Abedi?

**Mr. CHINOY.** That is correct, Senator, and sent to Pakistan to become the regional manager, and Mr. E.A. Garva was the regional general manager, and I was number two in Pakistan with specific responsibilities to set up two new branches, one in Lahore and one in Islamabad, and to devise marketing strategies to enhance the business of the bank in Pakistan. The branch in Pakistan had opened only a few months earlier. BCCI's branch in Pakistan had opened only a few months earlier.

**Senator KERRY.** So at the time that you began to work in Pakistan for BCCI, you had good banking relations in other places, is that correct?

**Mr. CHINOY.** That is correct, sir.

**Senator KERRY.** And most of the parent companies of those corporations were headquartered in London, and some in the States?

**Mr. CHINOY.** That's right sir.

**Senator KERRY.** When you first came to Pakistan, did BCCI have a problem at that time in being able to do business as a consequence of World Bank regulations?

**Mr. CHINOY.** Yes, sir. The World Bank regulations are—rather in the International Monetary Fund. It had placed constraints on the State Bank of Pakistan, which is like the Federal Reserve of Pakistan, and the total credit ceiling—the total amount to be lent out by borrowings of the country and the State Bank in turn had allocated a ceiling to each bank. BCCI had a small ceiling. The new bank had had a ceiling of approximately \$700,000.

**Senator KERRY.** So you could not lend money over the \$750,000?

**Mr. CHINOY.** That is right, sir.

**Senator KERRY.** And the reason for that is it was based on a hard currency relationship. They needed more hard currency to permit them to have larger deposits?

**Mr. CHINOY.** That's right, sir.

**Senator KERRY.** So, in 1979, Pakistan was very short of hard currency, correct?

**Mr. CHINOY.** That is correct, sir.

**Senator KERRY.** It was under pressure from the World Bank to devalue the rupee?

**Mr. CHINOY.** That is right, sir.

**Senator KERRY.** So what did you do as a consequence of this limitation on the ability of the bank to lend above \$750,000?

**Mr. CHINOY.** BCCI, at that time, devised a strategy to transfer funds from BCCI Cayman to KIFCO.

**Senator KERRY.** What was KIFCO?

**Mr. CHINOY.** KIFCO was Kuwait International Finance Company, a BCCI company, and this company in turn placed deposits with BCCI Karachi to the extent of \$50 million U.S. dollars, the purpose being that half this \$50 million then gets handed over to the State Bank of Pakistan and becomes part of the reserves of the country. If they're maintained for 3 months as they were, IMF then raises the ceiling of the country by 50 percent, and that is passed on to the commercial bank who has brought in the hard currency.

**Senator KERRY.** Let us try to simplify this. You used Kuwait as a shield in effect to fake the amount of money that was behind the bank.

**Mr. CHINOY.** That's right.

**Senator KERRY.** Is that a simple way of saying it?

**Mr. CHINOY.** Yes, and that is correct, sir.

**Senator KERRY.** Is that accurate?

**Mr. CHINOY.** That is accurate, also, we used the company. Had we transferred—had BCCI transferred funds from the other bank, the ceiling would not have been raised and the interest would have been taxed. If the deposit was from a bank, there were withholding taxes in Pakistan, plus the World Bank and IMF would not increase the ceiling of the country.

**Senator KERRY.** Now, if you had placed the money directly in Pakistan, Price Waterhouse would have put a limit on you, correct?

**Mr. CHINOY.** They would certainly have come to know of it. By going through Kuwait, you made it much more difficult, as Kuwait was considered a triple-X rating and it wasn't lending to Third World countries.

**Senator KERRY.** And Kuwait had no internal controls.

**Mr. CHINOY.** Yes, sir. That is correct.

**Senator KERRY.** Did Price Waterhouse know of that transaction?

**Mr. CHINOY.** I'm not in a position—I don't know whether they are aware or not, sir.

**Senator KERRY.** You do not know the answer.

**Mr. CHINOY.** I don't know.

**Senator KERRY.** All right. Now, the State Bank got an agreement from the World Bank that if they brought in the \$50 million and

the dollars were kept for 3 months, then the lending increase go up 50 percent, is that correct?

Mr. CHINOY. 50 percent, the lending would go up to the country, and the State Bank of Pakistan, which was the Federal Reserve of the country, passes it on to the commercial banks so in this way, BCCI was essentially placed further funds and was able to raise its lending limits from \$750,000 to about \$100 million.

Senator KERRY. The bottomline is that because of a phony loan, right at the outset, through this company called KIFCO in the Cayman Islands, BCCI Pakistan was able to evade World Bank regulations limiting its operations. Is that correct?

Mr. CHINOY. Yes, sir.

Senator KERRY. And that was not legal, was it?

Mr. CHINOY. No, sir.

Senator KERRY. OK, did the Pakistani Government approve of what BCCI was doing?

Mr. CHINOY. The Pakistan Government was not aware of it, sir, as the deposit was placed by KIFCO, as I mentioned earlier and they had no way of, or no manner to know that it was a deposit coming from BCCI, the original deposit was from BCCI Cayman.

Senator KERRY. Now, it is my understanding that the Governor of the central bank in Pakistan actually disapproved of BCCI and what it was doing?

Mr. CHINOY. He did not know, sir, but if he knew he would have been very upset, and would have taken action.

Senator KERRY. Did Mr. Abedi go over his head directly to President Zia?

Mr. CHINOY. For this, sir, the placement was made quietly and as the deposits went up, I don't know whether he saw President Zia. I'm not aware of that.

Senator KERRY. Did BCCI have a protocol department in Pakistan?

Mr. CHINOY. Yes, sir, it had a protocol department.

Senator KERRY. Who ran the department?

Mr. CHINOY. Mr. Sani Ahmad was in charge of the protocol department.

Senator KERRY. How big was this department?

Mr. CHINOY. This department was established prior to my joining in 1978. I don't know, I think sometime in 1975. In 1978, there were about 100 to 120 people there.

Senator KERRY. What was the responsibilities of this department?

Mr. CHINOY. The principal or primary responsibilities of this department were to look after wealthy Middle East clients, and princely families who came to Pakistan in a visit, and to meet all their needs.

Senator KERRY. Where was this located?

Mr. CHINOY. Karachi, and there was a small office in Lahore later, when Lahore was established in 1979.

Senator KERRY. And at the time, in 1978, the expenses of this department were how much?

Mr. CHINOY. Sir, I do not remember, but I think it was a little about a million and a half dollars in dollar terms.

Senator KERRY. In 1978, or later?

Mr. CHINOY. 1978, and it went up in 1980. When I left it had gone up to about \$3 million, and later in 1988, I heard it was a much larger figure, and the number of people had increased from 110, 120 to about 400 people.

Senator KERRY. Describe for me, if you will, what the protocol department would do.

Mr. CHINOY. The protocol department was entirely separate from the banking operations. Certain wealthy Middle Eastern clients and the royal families of the Middle East own a fair amount of properties in Pakistan, palaces and large properties. The Middle East department provides services looking after the maintenance of these properties, the gardener, looking after—even helps in the construction of many properties and renovations.

Also, when they come to Pakistan and want to make go for a shoot, or makes arrangements for them, looks after their personal needs of food and other—all personal arrangements are made for them.

Senator KERRY. Was there anything bizarre about that, is there anything that is out of the ordinary?

Mr. CHINOY. It was unusual, sir. It was not done normally by commercial banks. Coming from—Bank of America did not have such a department.

Senator KERRY. Was this the only department you had ever seen of its kind?

Mr. CHINOY. Yes, sir.

Senator KERRY. Well, describe for us with greater specificity some of the services that were provided.

Mr. CHINOY. Well sir, when the visitors or when these clients came from the Middle East they were received at the airport. The protocol department had special permission to take certain people to get into the VIP lounge, to meet them straight at the plane, help them with Customs formalities. They were then received by a limousine, taken to their residence. The residence arrangements were made first for their servants, their domestic servants would have been secured, cooks, and so on. Food arrangements would be made, any personal needs—their needs would be looked after by the department.

Senator KERRY. And the expenses of this department?

Mr. CHINOY. The expenses of this department, as I mentioned to you earlier, were paid by the Karachi branch from rupee funds.

Senator KERRY. Did the clients pay the expenses, or was this just money out of the bank?

Mr. CHINOY. For the personnel the bank paid the expenses, as I mentioned to you, of the protocol department, the salaries, but as far as providing the maintenance of the apartments, for the maintenance of the houses, renovations, food and all, the clients sent the money, remitted the funds.

Senator KERRY. The clients would cover that?

Mr. CHINOY. The clients paid for those funds.

Senator KERRY. Who was Begam Asghari Rahim?

Mr. CHINOY. Begim, I think you are referring, sir, to Begam Asghari Rahim. She was the wife of the Pakistani doctor, and later she became the—I understand she became an interior decorator to the royal family of Abu Dhabi. She used to arrange—she used to

interview girls, women and take them, who wanted to go to Abu Dhabi for a dancing show or arrange some singing shows.

Senator KERRY. Well, it was my understanding that she was more specifically involved in procuring young women from the countryside who were brought in and made available to princes and so forth for pleasure, is that accurate?

Mr. CHINOY. I have no personal knowledge, sir, but I read and heard about that, that that was the function, that that happened. I'm not personally—

Senator KERRY. Well, did you know from talk in the bank, Mr. Chinoy, that that was going on?

Mr. CHINOY. Yes, sir.

Senator KERRY. And you had personal knowledge that that was, in fact, true, was it not?

Mr. CHINOY. I heard that.

Senator KERRY. These were not women, were they? These were girls 16 years old?

Mr. CHINOY. Sir, I never saw them, but I heard that there were young girls that were in their teens.

Senator KERRY. And it was not unusual for people to lavish \$100,000 on more than one night on these?

Mr. CHINOY. Money was spent very generously, sir.

Senator KERRY. Is that a fair statement to the amount of money?

Mr. CHINOY. Sir, I do not know the exact amount. I know by Pakistan's standards, a lot of money was spent, because a lot of money came into the country for them to spend.

Senator KERRY. How much?

Mr. CHINOY. I do not know, sir, but it was generous funds.

Senator KERRY. Did you at some point in the discussion with our staff indicate that these young girls sometimes in groups, in large groups were taken to department stores in Karachi and a significant amount of jewelry and dresses were bought?

Mr. CHINOY. That is correct, sir, that was fairly common knowledge.

Senator KERRY. Everybody knew this was happening, correct?

Mr. CHINOY. Yes, sir.

Senator KERRY. It was fairly unusual?

Mr. CHINOY. Mrs. Rahim used to take them shopping, for large shopping at the departmental stores.

Senator KERRY. I understand your testimony was that maybe 50 or 60 young girls would be trussedled off to a big department store and they would all be outfitted for clothes, is that correct?

Mr. CHINOY. That is right, sir.

Senator KERRY. So this was a pretty wholesale undertaking, was it not?

Mr. CHINOY. It appeared so, sir.

Senator KERRY. And people were vying to able to provide jewelry and so forth because of the money that was being spent, is that accurate?

Mr. CHINOY. That is true, sir, because for them it was a sale.

Senator KERRY. So this is really unusual by any banking standards, is it not?

Mr. CHINOY. Yes, sir.

Senator KERRY. Now, who were the principal clients?

Mr. CHINOY. Sir, I have no knowledge except that they were—because I did not—I mean, the department was independent, handled by Mr. Sani Ahmad, but the general gist was that they were very wealthy and princely families from the Middle East.

Senator KERRY. And it is true, is it not, that when you left Pakistan, over \$2 million a year was being spent on protocol which was, in fact, more than they were spending on the Pakistani branch itself? Is that accurate?

Mr. CHINOY. That is correct, sir.

Senator KERRY. The department grew to about 500 people?

Mr. CHINOY. Approximately 400 to 500 people in 1988, that's when I—the last visit I made was in 1988, and I heard there were about 450 people there.

Senator KERRY. And later on the expenses of this department grew to somewhere in the vicinity of \$8 to \$10 million a year?

Mr. CHINOY. What I had heard, sir, was a figure of about \$6 million was being mentioned. This was what I heard in 1988. I do not know subsequently how much.

Senator KERRY. What would keep 500 people busy in the protocol department?

Mr. CHINOY. Well sir, they had about 100 chauffeurs for limousines and 100 limousines for people visiting Pakistan to be received. This is what I know, and the rest, there was a bunch of various people, God knows, providing services and so on. I'm not exactly—

Senator KERRY. Now, Sani Ahmad was who—he ran the entire protocol department?

Mr. CHINOY. That is right, sir.

Senator KERRY. Was Sani Ahmad a banker?

Mr. CHINOY. He came from United Bank, but I do not think he was a very—he did not have too much of an exposure to technical banking. That's my evaluation.

Senator KERRY. His fundamental job was running the protocol department?

Mr. CHINOY. The protocol department. He was also in charge of all construction activity like the bank's building, which was built in Pakistan. Sani Ahmad supervised it. Similarly, he supervised construction of many palaces.

Senator KERRY. So he was close and trusted by Mr. Abedi?

Mr. CHINOY. Yes, he was part of Mr. Abedi's inner cabinet.

Senator KERRY. And, ultimately, he was transferred to Washington, DC, correct?

Mr. CHINOY. That is right, sir.

Senator KERRY. Now, do you know what kind of skills he utilized here in Washington in protocol?

Mr. CHINOY. He was public relations manager, and I suppose—I have no idea.

Senator KERRY. So he was not a banker in a technical sense, even here in Washington?

Mr. CHINOY. That is right, sir.

Senator KERRY. And in Washington, he did not do banking, is that correct?

Mr. CHINOY. That is correct, sir. I don't think Sani did banking anywhere.

Senator KERRY. Is it accurate that he was a man that was trusted for things that no one else was supposed to know?

Mr. CHINOY. Yes, sir.

Senator KERRY. When is the last time that Sani Ahmad talked with you or any member of your family?

Mr. CHINOY. He talked to me, sir, in December 1990, or maybe January 1991. It was just a Christmas time, he was in London. He found out I was in London, at that time in England. He found me in London, just to find out he hadn't spoken to me since 1988, just to find out how I was, and he was in London for 2 days.

Senator KERRY. And at that time, did he mention to you that he was busy with Mr. Abedi, setting up a new bank in Pakistan?

Mr. CHINOY. That is correct, sir.

Senator KERRY. So, in 1990, after Tampa, after the indictments, after all of the scandal here had broken publicly, he was involved in setting up a new bank in Pakistan?

Mr. CHINOY. That is correct.

Senator KERRY. Did Sani Ahmad receive the license to set up a new bank, do you know?

Mr. CHINOY. Sir, the last information I have is that no, they have not yet received the license, and Mr. Abedi and Mr. Sani Ahmad, together with Mr. Bokhari, who is to be general manager in Pakistan have applied for a bank in Pakistan. They have not yet been issued a license, it has been deferred.

Senator KERRY. Now, you went from Pakistan to Nigeria, and then you went to BCCI London for a year, before being transferred to BCCI in Paris in 1985?

Mr. CHINOY. That is correct, sir.

Senator KERRY. In 1985, did you come to learn of an account involving a man named Mohammed Hammoud?

Mr. CHINOY. Yes, sir, one of his company's accounts in Paris.

Senator KERRY. And he had borrowed about \$800,000 to \$1 million francs?

Mr. CHINOY. That is right, sir.

Senator KERRY. That was the equivalent of about \$100,000 at that time?

Mr. CHINOY. That's right, \$120,000.

Senator KERRY. Was he paying the money back?

Mr. CHINOY. No, sir. He wasn't servicing the loan.

Senator KERRY. So did you do something as a consequence of that?

Mr. CHINOY. Yes, I wrote a letter and I wrote a letter demanding repayment.

Senator KERRY. To Hammoud?

Mr. CHINOY. To Hammoud.

Senator KERRY. You were general manager for the branch for France at that time?

Mr. CHINOY. That is right, sir, for the French operations.

Senator KERRY. What happened when you wrote the letter?

Mr. CHINOY. When I wrote the letter I seemed to have upset Mr. Hammoud, who complained to Mr. Iqbal Rizvi, who was general manager for France and Francophone Africa at that time in London, and also to Mr. Valayat Abedi, who was general manager, U.K. region. I got a phone call from Mr. Iqbal Rizvi that I should

be a little more diplomatic and should not write abrasive letters to good clients who had helped the bank. Subsequently, I was told when Hammoud came to go and personally call on him to soothe his feelings, which I did.

Senator KERRY. So you were required to apologize for asking him to repay a loan that he owed?

Mr. CHINOY. That is right, sir.

Senator KERRY. What else took place at that meeting?

Mr. CHINOY. Well, at that meeting basically I had to soothe Mr. Hammoud's feelings, and later on I kept some contact with him on the telephone, only I never met him after that, but I tried on two or three occasions to come to an arrangement with him, but if he would only repay the principal, I'd write off the interest.

Senator KERRY. So you actually offered to write off the interest, just pay the principal. He never wound up doing that, and you were, in fact, asked not to push him, not to write any more letters, and not to try to collect the loan.

Mr. CHINOY. That's right, and I wrote off the loan, sir, between 1985, 1986, and 1987, in three equal installments. I treated this as a bad debt in Paris.

Senator KERRY. And just wrote it off.

Mr. CHINOY. And Price Waterhouse were aware, just wrote it off. London knew about it, rather than carrying a bad loan on the books.

Senator KERRY. So in 1985, when you ran into this particular problem, it became obvious to you that Mr. Hammoud had a special relationship with the bank?

Mr. CHINOY. That is right, sir, a very special relationship.

Senator KERRY. Did you believe that he was a major shareholder in BCCI?

Mr. CHINOY. I didn't think he was, but I thought he had some—enough clout or leverage on London to get two general managers to phone me up and bear down on me.

Senator KERRY. How would you describe Mr. Hammoud?

Mr. CHINOY. He wasn't—to me he was not a very—he was a short man, not a very impressive personality, sir, but maybe I didn't like the idea of going and apologizing to him, so my impression may be a little biased, but I was not particularly impressed.

Senator KERRY. But did you come to believe that he had a special relationship with the bank that you were unable to penetrate or understand?

Mr. CHINOY. That is right, yes sir.

Senator KERRY. Was there any kind of analysis at BCCI in terms of northern banking standards about the loans that were made to Mr. Hammoud?

Mr. CHINOY. Sir, I wasn't even aware until a few months later that Mr. Hammoud had other loans in London or a relationship elsewhere. At that time I was told that he was a wealthy man, a shareholder of the bank. And I thought Paris was the only place he had facilities it, a line of credit it.

Later, about 3 or 4 months later, accidentally, in London, I learned that he had some facilities—I don't know the exact, and the exact nature was never revealed to me. But I learned that he had some facilities in London.

Senator KERRY. But you saw no papers of any loans? There was no record, was there?

Mr. CHINOY. I saw no evidence at all, nobody, no senior management person discussed it, or I raise this problem again because I had been ticked off once, and I didn't want to—

Senator KERRY. There was no evidence that Mr. Hammoud was a person of any financial substance, was there?

Mr. CHINOY. No, sir. To me, as I said, the impression that he made was a very poor impression, nor did he give me the impression of being an extremely rich man from his clothes and general behavior.

Senator KERRY. Subsequently, did it surprise you that BCCI loaned him more money to buy stock from Mr. Clifford and Mr. Altman?

Mr. CHINOY. Yes, sir. I was amazed when I came to the States last year and I read in the paper. I wasn't even aware that there had been another loan, because I was amazed for the simple reason Mr. Imtiaz Ahmed, head of credit, knew I had written this loan off. The reports were sent to all the general and to the senior general managers, credit committee, of write-off of loans. That is prepared every year in September, October, the loans you are going to write off.

So they all knew that Hammoud's loan for \$120,000 U.S. had been written off. So I couldn't believe that he had been given another loan.

Senator KERRY. Is it fair in your mind to call Mr. Hammoud a flexible front man? Did you come to know him as that in the context of BCCI?

Mr. CHINOY. Yes, sir.

Senator KERRY. I am going to come back to the Iran Contra piece in a few moments, I think. I am drawn by my colleague. Let me just ask another series of quick questions, if I may.

Did you ever come to engage in any financial transaction involving CenTrust in Florida?

Mr. CHINOY. Yes, sir.

Senator KERRY. Can you tell the committee about that?

Mr. CHINOY. Yes. In 1988, April or May, I think it was May 1988, Mr. Naqvi, who was then acting as the president of the bank, called me on the telephone, that if I was interested in making a loan of \$25 million. Paris, at that time, had a large availability of dollar funds which were placed with Cayman and Mr. Naqvi.

Senator KERRY. I want you to articulate this carefully. I am having a little trouble following. So there was a large surplus, correct, of money in the bank?

Mr. CHINOY. Which the branch had, as far as the Paris branch was concerned. The deposits exceeded its loans by a very—and they had very large deposits on hand which were being kept placed with Cayman.

Senator KERRY. You used to keep a significant amount of cash, \$80 to \$100 million, at various banks in Paris, correct, in order to show that you were major lenders?

Mr. CHINOY. That is right, sir. And about \$250 million were kept in Cayman as dollar deposits, because the Paris region had a large

amount of dollar funds and the surplus funds, part of it was lent in the Paris market and the bulk of it was kept in Cayman.

Senator KERRY. So you were actually anxious to have the bank make some loans?

Mr. CHINOY. That is right, sir.

Senator KERRY. You spoke to Mr. Naqvi and you asked, I take it, if there were any loans that he wanted to park. Is that correct?

Mr. CHINOY. That is right, sir.

Senator KERRY. And you said Paris would be happy to loan the funds?

Mr. CHINOY. That's right.

Senator KERRY. What is the advantage of a parked loan?

Mr. CHINOY. A parked loan, sir, has many advantages to the lending branch. One, responsibility, the creditor's responsibility does not lie on the branch, but it lies with the central office or lies with the head office who parked the loan there. So in case it went bad, you did not take the credit responsibility.

Two, you earned the interests earnings accrued to the branch and so they'd want—and any foreign exchange business or other businesses, commissions, a guaranteed business went to the branch, the branch's earnings were substantially enhanced without having the responsibility of credit. So the advantage—

Senator KERRY. So it was a win/win situation. No risks, commissions, interests, so forth.

Mr. CHINOY. That's right.

Senator KERRY. Now, did you receive a call concerning Mr. Ghaith Pharaon?

Mr. CHINOY. Yes, sir. The loan of \$25 million was if I was interested in lending \$25 million to Dr. Pharaon, Mr. Pharaon, Mr. Ghaith Pharaon, to purchase bonds of a U.S. bank. My answer immediately was yes, but why not park the loan with one of the United States offices, specifically New York.

Mr. Naqvi stated that Mr. Pharaon lived in Paris and as he had already existing credit arrangements with BCCI Paris, he would like the loan to be in Paris.

Senator KERRY. Was there anything unusual about that?

Mr. CHINOY. Not really, sir, because if the customer himself is living in Paris and he has arrangements, he may prefer to have it where he can control it, because he was buying U.S. securities.

Senator KERRY. And what rate were you offered on the Pharaon investment?

Mr. CHINOY. One-half percent over London Interbank offering rate was the interest rate plus 1 percent would be the front end fees for this loan. That's about \$250,000 up front.

Senator KERRY. And the loan would be for a period of how long?

Mr. CHINOY. Mr. Naqvi, when he spoke to me, as far as my memory goes, was for 6 months.

Senator KERRY. Collateral?

Mr. CHINOY. Collateral would be the bonds itself, the rate of interest I mentioned to you and the repayment would be from sale of bonds by Mr. Pharaon.

Senator KERRY. And how were you to be repaid?

Mr. CHINOY. From the sale of the bonds.

Senator KERRY. So payment would be made, and payment would be made to whom in order to transact this operation?

Mr. CHINOY. Sir, I wasn't told to who the payment, but later on when my assistant spoke to Mr. Naqvi's assistant, we learned that the payment was to be made to Drexel Lambert in New York and what do you call, they held the bonds to the order of BCCI Paris.

Senator KERRY. What did you do after that?

Mr. CHINOY. Immediately, I agreed with Mr.—one more thing that Mr. Naqvi mentioned was that this loan has to be processed fast. And we will be required to make the funds available within the next 2 to 3 days.

Senator KERRY. So basically, on Mr. Naqvi's word, you proceeded to effect this transaction. Is that correct?

Mr. CHINOY. That is right.

Senator KERRY. The paperwork was put into operations, is that correct?

Mr. CHINOY. That is right. And to put the paperwork into operation, I asked my assistant, Mr. Sibte Hussain, to speak to Mr. Naqvi's assistant and get—

Senator KERRY. The bonds were held by Drexel in New York to the order of BCCI Paris.

Mr. CHINOY. That is right.

Senator KERRY. \$25 million was disbursed.

Mr. CHINOY. \$24.7 million, if I remember right, sir. The bonds were bought slightly below par.

Senator KERRY. Now later, did you learn somehow that Mr. Pharaon was not willing to let BCCI buy the bonds after all?

Mr. CHINOY. Yes, sir. One point I have to make, sir, here, is the ordinary loan process was not followed in this loan.

Senator KERRY. Let me understand this carefully. Originally, there was going to be a bonding process.

Mr. CHINOY. Yes.

Senator KERRY. But that was not followed. Is that accurate?

Mr. CHINOY. That is correct, sir. Originally, it was to be just a loan and Mr. Pharaon was to own the bonds, though they would be held to our order as collateral.

Senator KERRY. What did, in fact, happen?

Mr. CHINOY. My assistant came back and mentioned to me that Mr. Pharaon may not have any objections if the bank bought the bonds. And what later happened was that the bonds were bought actually by the bank and held to the order of the bank. The bonds were bearing interest at 15.875 percent or something, almost 16 percent, sir.

Senator KERRY. Normally, if you did a loan over \$5 million, you would have prepared a credit report based on their loan reporting procedure. Is that correct?

Mr. CHINOY. That is right, sir. A loan report, a complete 15-page report.

Senator KERRY. Showing profitability, shareholder's profitability and so forth.

Mr. CHINOY. That's right.

Senator KERRY. In this case, you did not prepare this, did you?

Mr. CHINOY. No, sir, we did not. But to cover myself, I issued a memo to Mr. Naqvi's assistant, with copies to Mr. Iqbal Rizvi in

London, who is a member of the Central Credit Committee, saying that we are disbursing the funds as requested by Mr. Naqvi and kindly let us have the necessary approval.

Senator KERRY. So you basically shot the memo up simply as a cover memo.

Mr. CHINOY. That is true, sir.

Senator KERRY. Could you have refused Mr. Naqvi?

Mr. CHINOY. Technically or theoretically, yes, sir. In the real terms, if you want to remain as a general manager of any region, if you refuse the president, you won't stay for long time, if you say no to the president. You can be quietly pushed upstairs or sideways.

Senator KERRY. Did you do anything else to cover yourself with respect to this transaction?

Mr. CHINOY. Yes, sir. When I did not get a response to my memo, we kept following these memos, then I wrote again to Mr. Naqvi's assistant and copies were sent to Mr. Iqbal Rizvi, to Mr. Basir, who was a member of the investment committee, credit committee, to cover myself.

Senator KERRY. And you never got a response from them, did you?

Mr. CHINOY. No, sir.

Senator KERRY. Did you get anything as security?

Mr. CHINOY. Well, the bonds itself.

Senator KERRY. The bonds were from CenTrust?

Mr. CHINOY. CenTrust.

Senator KERRY. So you received CenTrust bonds as security against the loan.

Mr. CHINOY. That's right.

Senator KERRY. Did Mr. Pharaon buy the bonds, or BCCI?

Mr. CHINOY. Yes, eventually we got instructions verbally from London. But Mr. Pharaon did not want the bonds to be bought by the bank, but he would buy the bonds. And what eventually emerged was that the loan was repaid in 2 months. Mr. Pharaon bought the bonds and apparently resold the bonds at a profit. He made the capital gain of about \$340,000, approximately. The bank got interest at 16 percent for 2 months, about \$600,000 or \$700,000.

Senator KERRY. About \$600,000?

Mr. CHINOY. That's right. \$670,000 dollars. A \$1 million was the profit on that transaction; \$330,000, \$340,000 went to Pharaon, \$670,000 went to the bank.

Senator KERRY. Do you know where Pharaon got the money to pay you back?

Mr. CHINOY. I have no idea, sir. What I know is that I've been shown papers that later it was transferred to the Pharaon holdings and some of the profit, the profit was transferred to BCCI, Bahrain. But I do not—for Pharaon's account—but I do not know precisely where he got the funds from.

Senator KERRY. Did anyone ever show you a document involving Mr. Naqvi that you personally believed was fabricated concerning CenTrust?

Mr. CHINOY. Yes, sir, I have been shown that document by—  
Senator KERRY. What document was that?

**Mr. CHINOY.** I've been shown a document which is supposed to have emanated from Paris office and which has Mr. Naqvi's signature on it; two documents having Mr. Naqvi's signature on it.

One of those documents is definitely not from Paris. In fact, both I do not feel are from Paris, because a, they do not have the signature of any Paris, any officer based in Paris. Two, a loan of this significance cannot go out without the regional office being concerned in it, which was my office. And it does not have my signature or any members of the credit committee.

**Senator KERRY.** And you were not involved in that note at all?

**Mr. CHINOY.** No, sir. Again, the letterhead.

**Senator KERRY.** The letterhead was different, was it not?

**Mr. CHINOY.** That's right, sir. The Paris letterhead had the Paris address distinctly on top. This one has no address at all. It has just BCCI. So I feel that this document, it's not from Paris, France, that I know.

**Senator KERRY.** So it was the wrong typewriter—

**Mr. CHINOY.** Yes, sir.

**Senator KERRY** [continuing]. Wrong stationary, one signature, Mr. Naqvi, absent your signature, which was normal procedure, and you had never seen the document.

**Mr. CHINOY.** That's right, sir.

**Senator KERRY.** And the document purported to say what?

**Mr. CHINOY.** The document purported to say that Paris had made an investment of \$25 million in bonds and was seeking now to become a loan to Dr. Pharaon and requesting the investment committee to first authorize an investment of \$25 million and later the credit committee to authorize a loan, so that the document, the bonds, can be resold to Dr. Pharaon.

**Senator KERRY.** Let me, at this point, turn to my colleague, Senator Brown, both for an opening statement and for any area of inquiry that he might like to pursue at this moment.

**Senator BROWN.** Thank you, Mr. Chairman. I have no opening statement, but I thought I would followup with some questions in this area as this develops.

I was interested in the loan that you discussed previously here made to Mr. Hammoud for the purchase of stock in First American owned by Mr. Clifford and Mr. Altman.

Who was the lending institution in that arrangement?

**Mr. CHINOY.** Sir, I was amazed to read about this loan. I was not aware that a loan had been made available to Mr. Hammoud or any purchases for Mr. Clifford or Mr. Altman's stock. The loan that I discussed earlier with Senator Kerry or mentioned to him was an existing loan given to Hammoud or one of Hammoud's companies in Paris, approximately \$120,000 which turned out, for which we never received the money back and we had to writeoff that loan during 1985, 1986 and 1987.

**Senator BROWN.** So your only observation was with regard to his lack of creditworthiness?

**Mr. CHINOY.** That is right, sir.

**Senator BROWN.** If you would, help us with what you know about the relationship between BCCI and the way First American operated, specifically with regard to personnel and to banking practices.

**Mr. CHINOY.** Sir, as far as our relationship goes, it was said to be, it was a very close relationship. I have no personal knowledge but what I've heard and as far as personnel goes. There were two gentlemen, Mr. Ajaz Afridi, who was a general manager in BCCI. He had left BCCI and joined Middle East Bank to become president and came back to BCCI and was recruited specifically for First American. He was in BCCI for only about 4 or 5 days in London when he went to First American.

**Senator BROWN.** What position did he take with First American?

**Mr. CHINOY.** I don't know, sir, but it would be at least a senior vice president or executive vice president. I do not know, but it was a very senior appointment, a senior management position.

Then the other was Mr. Khursho Karam Elley. He was a senior executive with BCCI. He had been sent to First American. He came first to the United States as part of Financial General and then became First American. So he was also a senior banker with BCCI, senior position with BCCI and he got a senior management position in First American.

**Senator BROWN.** I understand that you described to the committee staff in previous testimony the relationship you believe BCCI had or at least observations they had about Mr. Clifford and Mr. Altman. The chairman had urged other senior directors to learn from Altman's management styles at one point.

**Mr. CHINOY.** Yes, Mr. Abedi held Mr. Altman and Mr. Clifford in great respect and Mr. Altman particularly. He often used to mention to us at various meetings or even small conversations after the meetings when you meet in groups of three and four, he would mention that we should imitate or look upon Mr. Altman try to follow the lead of Mr. Altman, his bearing and his mannerisms and clarity of thought.

**Senator BROWN.** During the period of 1982, 1983 and 1984, you are quoted as saying that Altman was described as our man in America.

**Mr. CHINOY.** That's right, sir. At one of the meetings, Mr. Abedi referred to him as our man in America.

**Senator BROWN.** During this period, Mr. Altman did legal work, directly or indirectly, for BCCI, but was the reference one you took to mean that it was their attorney inside that country?

**Mr. CHINOY.** No, sir, I didn't take it as an attorney relationship. I am aware that he was, I was not aware that he was, I knew that he was an attorney, but I took this as a reference as a banker, as a banking executive rather than as an attorney relationship.

**Senator BROWN.** Did you have occasion to see him during that period or associate with him?

**Mr. CHINOY.** 1984 or 1985 at the Vienna Conference. I think it was 1984. Mr. Altman, I saw him at that conference. It was 1984 in Vienna. There were about 400 people and Mr. Altman was in a prominent place close to the President.

**Senator BROWN.** BCCI has worldwide operations.

**Mr. CHINOY.** That's right, sir.

**Senator BROWN.** Correspondent banks in a number of places. Did BCCI bring their attorneys associated with operations in other countries to these conferences or was it only management personnel?

Mr. CHINOY. Sir, I can't recollect any attorneys attending the conferences. I know Price Waterhouse attended the conference. The auditors did. The attorneys, I do not remember any attorneys from London or from any other country attending the conference.

Senator BROWN. Well, Mr. Altman's position was solely that of counsel at the time. Can you help us with why they may have brought him to the conference then?

Mr. CHINOY. Sir, maybe I was wrong, sir, but I always assumed that he came as a banker, as a banking executive. Maybe I was wrong in my impression, but my impression was he came as a banking executive and not as legal counsel.

Senator BROWN. As far as you know, other attorneys then did not come.

Mr. CHINOY. No, sir, there were no other attorneys I've seen attending the conference.

Senator BROWN. Or attorneys referred to in that way as "our man?"

Mr. CHINOY. No, I really, really, I don't recollect any particular instance, I do not recollect of an attorney being referred to at any of these marketing meetings.

Senator BROWN. You have also referred to correspondent banking relationships with First American.

Mr. CHINOY. Right.

Senator BROWN. Clearly, there were correspondent relationships. Would you give us your impression of whether they were normal correspondent relationships or whether they were relationships that implied a stronger connection?

Mr. CHINOY. Sir, BCC as I knew had major correspondent relationships with Security Pacific, where BCC had a large line of credit totalling almost \$1 billion, as a recollect, in 1988. Bank America, a major line of credit; some I'm not sure. A small line, how much, at Citibank. But I'm not sure.

But major relationships with Bank of America and Security Pacific. And also something, smaller lines, with Bank of New York.

And then suddenly, we get pressure. The managers in various regions were pressurized by Mr. Aijaz Afidi at various meetings to establish accounts with First American.

Now, unless correspondent banks do not go for, particularly the African branches, because of exchange difficulties in Africa, it's not easy to get lines of credit for African branches, because sometimes letters of credit are established, the correspondent bank has to make a payment, and money, the dollar payments may be delayed.

So, automatically, without—you're forced—it's compulsory or whether it becomes a temporary overdraft for the branch who established the letter of credit. And yet, First American was going out to seek these deposits, to seek these accounts.

And this is not, unless it's part of the same group, they would not seek the same. Yes, if it was an industrialized country like France, I can understand because there's no problems there of foreign exchange remittances.

But for African countries to get line of credit is little more difficult. And yet, First American was willing and was interested in getting these accounts.

**Senator BROWN.** Was there anything in the correspondent relationship that was established between BCCI and First American at this time that made you think it was different than a normal correspondent relationship?

**Mr. CHINOY.** Senator, the exact correspondent relationship would be handled by the international division in London between First American, as all major correspondent relationships were handled by international division which was operating in London which was a large department. So I do not know the exact line of credit or what facilities had been arranged or agreed upon, so I am not in a position to tell you.

I only know the personal approaches made to managers to establish accounts, including requests to me from Mr. Afridi to transfer Paris' account. That, while he was friendly with me personally, then why was I not routing some business with Paris? Because Paris did not have an account with First American and this was personally—he was getting personally upset.

**Senator BROWN.** Do you recall when this correspondent relationship first developed?

**Mr. CHINOY.** I don't know, sir, but I know it started from 1983, 1984, the pressures were on. When they used to come to London they were—as different, as managers were met, they would—Mr. Afridi would use his personal contacts or personal knowledge with the manager to try and get the account for First American.

**Senator BROWN.** Thank you, Mr. Chairman.

**Senator KERRY.** We are going to produce some documents for the record concerning Mr. Hammoud and the inquiry that I had with you earlier, and concerning the relationship between BCCI and CenTrust. Those documents will be made available at the close of the hearing or during the hearing.

Do you believe it is possible that Mr. Hammoud is still alive? [No response.]

**Senator KERRY.** You are smiling a big smile.

**Mr. CHINOY.** I think so, sir, I think so, but this is a personal opinion.

**Senator KERRY.** It is a personal opinion, I understand, you have no fact.

**Mr. CHINOY.** I have been in custody for last 8 months here, 9 months, and I read about it in the paper. I think so, sir. This is, again, a personal opinion.

**Senator KERRY.** And you think so because, why?

**Mr. CHINOY.** Sir, what I read was, the difference in the corpse was a few inches shorter.

**Senator KERRY.** That the body that was buried was 4 inches shorter than Mr. Hammoud?

**Mr. CHINOY.** Than Hammoud. That doesn't sound too—it seems strange.

**Senator KERRY.** And does it sort of fit with your knowledge of this man? I mean is that partly why you are smiling, that there is a modus operandi here?

**Mr. CHINOY.** I say in my opinion, because I had to—I apologize. My opinion is really biased, I wasn't impressed by him. But then, don't take my opinion because mine is a personal—I didn't like the

man. I had one meeting with him that wasn't really pleasant for me.

Senator KERRY. Now when you were in Paris you came to meet Mr. Adnan Khashoggi, correct?

Mr. CHINOY. That is right.

Senator KERRY. That was in 1986.

Mr. CHINOY. 1986.

Senator KERRY. Can you tell us the circumstances of your meeting Mr. Khashoggi?

Mr. CHINOY. Sir, here I want to be a little—it could be late 1985 or 1986, now, I'm not familiar, but I think 90 percent it was 1986.

Senator KERRY. It was in 1985 you took over the Monte Carlo branch, correct?

Mr. CHINOY. I took over Paris in 198—I moved to France in 1985, 1st October, 1985.

Senator KERRY. All right.

Mr. CHINOY. OK, my meeting with him was—and Monte Carlo came under me at that time. I was general manager for France and Monte Carlo.

Senator KERRY. And Monte Carlo.

Mr. CHINOY. That's right.

Senator KERRY. Now Monte Carlo was building up profits. Is that correct?

Mr. CHINOY. That is right, sir. Profits were steadily increasing from \$15,000 a month, had gone over to \$35,000, \$40,000 a month.

Senator KERRY. And deposits had gone up to about \$75 million but lending was only \$1 million.

Mr. CHINOY. That is correct, sir.

Senator KERRY. So, again, large surplus funds were building up in Paris. Is that correct?

Mr. CHINOY. That's right.

Senator KERRY. And you gave those to Grand Cayman.

Mr. CHINOY. These funds, yes. Monte Carlo would send these funds to Paris, and Paris in turn would hand it over to Grand Cayman. And of course, as you mentioned earlier, we were also lending in the market. But at this time, in 1980, 1980, early 1986, we were keeping larger funds with Cayman.

Senator KERRY. And at that time Mounir Karim.

Mr. CHINOY. That's Karim, sir, correct.

Senator KERRY. Karim. And who is Mounir Karim?

Mr. CHINOY. Well Mounir Karim is a Frenchman now, a French national, ethnically a Lebanese. He's one of BCCI's, I understand one of their first graduate trainee officers taken in the 1970's when they established themselves.

Senator KERRY. What was his role in 1985 when you were in Paris?

Mr. CHINOY. He was manager. He was manager of Monte Carlo branch. He was not in Paris, he was stationed in Monte Carlo.

Senator KERRY. And he called you and said he wanted to come to Paris with Mr. Adnan Khashoggi.

Mr. CHINOY. That is right.

Senator KERRY. And they had a business deal to show you.

Mr. CHINOY. That's right.

Senator KERRY. And you said fine and arranged a meeting. Is that correct?

Mr. CHINOY. That is correct.

Senator KERRY. Did Khashoggi tell you at this meeting that he was involved in arms deals?

Mr. CHINOY. Yes. Mr. Khashoggi was quite candid, open about it. He said—

Senator KERRY. Where did you meet?

Mr. CHINOY. We met in Paris in the branch itself, on the ground floor of the branch.

Senator KERRY. Did he describe a deal to you?

Mr. CHINOY. Yes. He made a request for a \$5 million revolving letter of credit—revolving line of credit.

Senator KERRY. Did he tell you what it was for?

Mr. CHINOY. Yes. He said it was to supply arms to Iran, American arms through Israel and sold to Iran.

Senator KERRY. And he was seeking 4-day credit for that deal.

Mr. CHINOY. That's right.

Senator KERRY. Did you have any understanding about who Mr. Khashoggi was representing in this deal?

Mr. CHINOY. No, sir.

Senator KERRY. Did you have any belief that he was working with any governments?

Mr. CHINOY. Well, Mr. Khashoggi gave an impression that he was working with the governments.

Senator KERRY. Which governments?

Mr. CHINOY. He indicated the governments of all three countries which were—but he did not elaborate, he indicated that he was working with friends in the States, in Israel, and Iran.

Senator KERRY. You know that these deals that we are referring to now were secret from the American people and from the United States Congress, correct?

Mr. CHINOY. That is right, sir.

Senator KERRY. So this is a secret arrangement. Is that accurate?

Mr. CHINOY. That is right, sir. Well at that time, sir, I didn't know it was a secret.

Senator KERRY. You did not know what the status was, but at any rate you now know that that is accurate.

Mr. CHINOY. That is correct, sir.

Senator KERRY. And at the time you believed by virtue of the representations made by Mr. Khashoggi, that he was dealing with the governments and with the approval of the three governments that you mentioned, correct?

Mr. CHINOY. Yes, sir.

Senator KERRY. Those three governments being?

Mr. CHINOY. United States, Israel, and Iran.

Senator KERRY. Now why did he need BCCI?

Mr. CHINOY. He was short of funds. And the way he related that transaction to us was that the Iranians would only pay when they actually physically received the arms and equipment. And the Israelis would not extend the credit. The Israelis would only deliver when they had been paid. Now somebody had to be the intermediary to make the payment and then collect finally from the Iranians, and he was to be that person.

Senator KERRY. So in effect each was willing to be the mover of arms and the receiver of arms, but nobody wanted to put themselves on the line for any money.

Mr. CHINOY. That is right, sir.

Senator KERRY. And the only way that Khashoggi could make the deal happen was to get the money up, but he did not have it.

Mr. CHINOY. That's right.

Senator KERRY. So BCCI became the facilitator, correct?

Mr. CHINOY. That's right, sir.

Senator KERRY. And the first amount was \$5 million. Is that accurate?

Mr. CHINOY. That's what he asked for, revolving credit. To take the credit on a Thursday or a Friday, and then by Monday to Tuesday it would be repaid.

Senator KERRY. And by virtue of the nature of this deal were the terms more generous than normal?

Mr. CHINOY. Yes, sir, they were very generous.

Senator KERRY. What were the terms?

Mr. CHINOY. The terms were, sir, 2 percent front-end fee plus 1-1/2 percent above LIBOR, being the interest rate for the actual number of days for which the overdraft line was availed. So that was very generous terms.

Senator KERRY. Did you learn at that time whether or not deals involving the sale of United States arms through Israel to Iran had already taken place with Mr. Khashoggi?

Mr. CHINOY. Sir, he mentioned to me that he had done a few deals at that time, between \$1 to \$2 million each time. And these deals had been done in the form of check discounting on a Friday and repayment. He would discount the check and let credit Mr. Khashoggi's account and then on Monday or Tuesday when Mr. Khashoggi received the funds to clear the account, the discounted entry would be cleared, repaid.

Senator KERRY. Well let us understand what you are saying because it is important. You have not just described a normal transaction, have you, correct?

Mr. CHINOY. No, sir, it's not a normal transaction.

Senator KERRY. What you have described was Manir, the Monte Carlo manager, explaining to you how the transaction could be done and hidden. Is that accurate?

Mr. CHINOY. How he had already done it.

Senator KERRY. How he had already done it.

Mr. CHINOY. And hidden it from us. Because—or within his authority, he'd exercised it. But if he had given it the straight overdraft he would have had to come up to us—

Senator KERRY. And explain it.

Mr. CHINOY. Explain it. But he had done it quietly by buying a check for \$1 million to \$2 million, which was within his authority, which was easily concealed. And he would then credit Mr. Khashoggi's account who would then issue—make the payments. And by Tuesday this check which had been purchased, a Swiss check, from Mr. Khashoggi's account, would be honored and the entry cleared.

Senator KERRY. So in effect someone who worked for you, your general manager in Monte Carlo, was explaining to you how he

had already funded an illicit deal for Khashoggi and pulled the wool over your eyes.

Mr. CHINOY. That is correct, sir.

Senator KERRY. And you went along with that with respect to this particular request of Khashoggi's. Is that accurate?

Mr. CHINOY. No, sir, I did not agree to Khashoggi's request for \$5 million. I declined his request, I said no to him. And Khashoggi—what do you call—I declined Khashoggi's request for the financing and instructed Manir not to do any further transactions. Monte Carlo's profits dropped for a couple of months, and then again, suddenly I noticed the profits rising. Whenever Manir felt that he was getting short, Manir pushed through an entry or two, discounted a check.

Then, of course, another method was employed by, or utilized by Khashoggi. And this was that instead of cashing a check at the Monte Carlo, he would issue checks to his banker. He would discount a check for \$1 million or \$2 million on BCCI Monte—he would issue a check on BCCI Monte Carlo to his banks in London. Knowing the stature of the man, the reputation of a wealthy man, the bank would buy the check. But by the time the check came from London to Monte Carlo a few days would elapse. By that time he would have arranged for funds to reach Monte Carlo and the check would be paid.

Senator KERRY. Did you admonish Manir not to do this?

Mr. CHINOY. Yes, sir. Later when, what you call, the thing again got a little out of hand after Manir had done a few transactions, I said.

Senator KERRY. Now how many transactions had already taken place with Khashoggi?

Mr. CHINOY. Sir, I have a feeling eight to nine transactions took place. I am not 100 percent, but I am pretty sure eight to nine, totalling \$15 to \$16 million U.S. dollars took place. And then I wrote to Manir a very strong letter not to in any way have any dealings with Mr. Khashoggi. Though the current account, he continued to maintain that account.

Senator KERRY. Now before you met with Khashoggi there were somewhere between \$8 million to \$10 million involving five or six transactions. Is that correct?

Mr. CHINOY. Correct, sir.

Senator KERRY. You learned of those from Manir.

Mr. CHINOY. That's right, sir.

Senator KERRY. Subsequent to that there were three transactions.

Mr. CHINOY. Three or four. I think eight went one way, eight went—15, 16. Maybe eight first and eight later, or seven later, something like that.

Senator KERRY. You told Mr. Khashoggi that you had to stop doing those kinds of deals.

Mr. CHINOY. That's right.

Senator KERRY. Why?

Mr. CHINOY. The \$5 million. One, I just didn't want to get involved. There were too many problems. Two, I felt if Mr. Khashoggi, if he wanted really the facility, he would have gone to London. He was—you know, the big Arabs, very wealthy Arabs

talked directly to London to Mr. Abedi and Mr. Naqvi, not to general managers outside. And so I didn't feel.

I also—after declining it I did relate to Mr. Abedi personally and Mr. Naqvi when they visited Paris, that I had declined this facility. And I informed Mr. Rizvi immediately, who was my general manager in London.

Senator KERRY. Now the transactions I have just referred to exclude a \$10 million deal in March of 1986 that you have since seen documents on involving Khashoggi and BCCI, correct?

Mr. CHINOY. Yes. I was not aware. They have been showing documents to me.

Senator KERRY. I understand. You were not aware of it then. You were not aware of it, really, until the documents were shown to you by the committee.

Mr. CHINOY. Committee, that is right.

Senator KERRY. But we have shown you documents of the separate arms deal involving BCCI for \$10 million in 1986.

Mr. CHINOY. Yes, sir. But the documents say the request was made—the document which has been shown to me says a request was made to Cayman, and Cayman passed the request on to London. Now what exactly happened after that, I have not seen subsequent documents. But a \$10 million request passed on to London is there.

Senator KERRY. How many accounts did Mr. Khashoggi have in your region?

Mr. CHINOY. Sir, what I'm aware of is that he had three accounts in Monte Carlo. A dollar account, a dollar checking account, a French franc checking account, and dollar CD's. Now there may be other accounts which he may have had in some, because my region was nine countries. I am not aware of any others. In Paris, as far as I know he did not have an account.

Senator KERRY. The \$10 million transaction that we showed you indicated to you that BCCI decided to go around you for some transactions.

Mr. CHINOY. That's right, sir. That happened quite often.

Senator KERRY. That was after you said no to the arms deals involving Khashoggi.

Mr. CHINOY. That's right, sir. And London informed of it.

Senator KERRY. So you were the general manager in Paris but telexes began flowing between Caymans and London and Monte Carlo. Is that correct?

Mr. CHINOY. That's right, sir. And I am amazed that Monte Carlo—I have a feeling that Monte Carlo, finding me not receptive, suggested that an approach be made to London through Cayman. This is, again, my own assessment of the situation.

Senator KERRY. Were you ever told—and I realize this is second-hand, removed, but were you ever told that any BCCI employee took a bribe in order to handle the Khashoggi transactions?

Mr. CHINOY. Yes, sir. Subsequently in 1990 I learned that Khashoggi, or rather a BCCI employee, Mr. Mounir Karim, had received a bribe of \$100,000 for arranging a \$5 million loan for Khashoggi.

Senator KERRY. I do have some more questions on Mr. Ghorbani-far, et cetera, but let me turn to my colleague for a round.

**Senator BROWN.** Thank you, Mr. Chairman. I just have a few items. I would like to direct your attention to the questions involving the acquisition of the National Bank of Georgia and the way that was handled. I know you have testified over a wide range of things, but I would be interested in your description, if you can, of any association you might have had or your bank had, with regard to the sale of the National Bank of Georgia, or more particularly the sale of Pharaon's interest in that bank.

**Mr. CHINOY.** Regarding the sale, sir, Senator, the first time I became aware was sometime in 1986 or 1987. The exact date I do not remember because I do not have my diary. During those weeks Mr. Abedi and Mr. Naqvi, the president of the bank and Mr. Naqvi, the number two, used to visit Paris almost on—they visited almost a few Saturdays successively. One particular Saturday they missed me at the airport. And the custom was that I used to receive them at the airport and take them to Mr. Pharaon's residence, leave them there. That was the agreement, and then in the evening when they finished, or after lunch, whenever they finished, they would call me and I had to collect them and to drop them at the airport and they went back.

As I mentioned, one particular Saturday we missed each other at the airport. They took a taxi and tried to reach Pharaon's residence. Somewhere there they got lost and they called me at my residence. They got me at about 3:30 in the afternoon. I told them, they were in a restaurant, that it's better that they get into another cab and reach the bank, and I will be reaching the bank and opening it.

When we reached the bank—I just reached the bank, more or less simultaneously we reached, the taxi and myself. In descending from the taxi Mr. Abedi forgot his briefcase. When he entered the bank he was a bit upset that, A, he had not been received, he had been hunting around, and two, he'd lost his briefcase, forgotten his briefcase in the taxi. He was taken to Mr. Pharaon's residence and I was instructed to try and find and retrieve the lost briefcase.

By getting hold of the help of the police, French police, plus the airport officials, and offering a sort of a bribe—a reward, not a bribe, sorry, a reward—we found the briefcase. The next day the briefcase was found. I got in touch with London, with Mr. Naqvi. He first requested me to check whether the briefcase—to open the briefcase, where it was not locked to open it, which I did.

But the briefcase had a little marker on it. It was a Samsonite briefcase, thick one, gray Samsonite, thick one, had National Bank of Georgia written on the side. Now Mr. Abedi himself would always carry a slim leather briefcase. This one was a Samsonite, it was bulky. He says open it and check whether there are documents right to the top, which I did. National Bank of Georgia files, or matters relating to it.

And then he asked, he instructed me to bring them across to London that same—immediately in the evening. I said I was leaving that day for Ivory Coast for a meeting next day. He said, no, you bring it to London, go back, and then catch your flight. I said, can I send the assistant manager. He said no, you do it. Accordingly, his instructions were complied with. So I remembered that, the National Bank of Georgia.

The second was the following week when they came and I was taking them back to the airport, a remark was made by Mr. Abedi once he got into the car in Urdu: Thank God the National Bank of Georgia deal was done. And then Mr. Naqvi signaled to Mr. Abedi that I was sitting there, and they stopped talking.

So that's all I know, but later I read the sale was done and I connected a few things.

Senator BROWN. So your clear impression was No. 1, that they were involved in the National Bank of Georgia deal.

Mr. CHINOY. Yes, sir.

Senator BROWN. And No. 2, that they were not anxious for you to know about it.

Mr. CHINOY. That's right.

Senator BROWN. And I take it that the concern over the briefcase indicated that they weren't terribly anxious for someone else to know about it.

Mr. CHINOY. That is right.

Senator BROWN. Tell me about that National Bank of Georgia deal in terms of First American. We have had testimony from both the chairman and the president of First American at the time about that. Do you believe they didn't know anything about the deal?

Mr. CHINOY. I find it difficult—

Senator BROWN. Could you move closer to the microphone.

Mr. CHINOY. Sir, I don't know them personally, but I find it difficult to believe that they don't about it. This is only a personal impression, but I have no way of knowing definitely, but I feel that they must have known.

Senator BROWN. What factors would make you believe that? Are there aspects of this deal that would make you think that bank would have knowledge, the leaders of that bank would have knowledge of it?

Mr. CHINOY. Sir, it was fairly common knowledge in the BCC group that National Bank of Georgia was a BCC bank because their representatives used to attend the smaller conferences in London where the marketing strategies which I mentioned earlier were discussed. So it was fairly common knowledge that the National Bank of Georgia was part of the BCC group.

Senator BROWN. Did Mr. Clifford or Mr. Altman ever attend those meetings?

Mr. CHINOY. No, sir, I never saw Mr. Clifford or Mr. Altman at those smaller meetings.

Senator BROWN. Did representatives of First American ever attend?

Mr. CHINOY. Yes, Mr. Afridi and Mr. Khursho Karam Elley attended. Khursho Karam Elley dropped off later in the 1980's, but Aijaz Afridi continued to attend until 1988.

Senator BROWN. Let me raise a different question with you if I could. I wonder if you would describe for this committee your association and the bank's association with Jesse Jackson as far as you know it?

Mr. CHINOY. Sir, 1985, late 1985, just after I had been appointed to Paris, and I am in Paris maybe 2 or 3 months, Mr. Jackson—I got a call from Mr. Abedi advising me that Mr. Jackson was reach-

ing Paris and he was coming from Calais by train—he was coming by train and that I should receive him, not receive him, I should meet him at the train terminal and I should also arrange accommodation for him and his party at the Hilton.

Senator BROWN. So that it is clear in my mind, remind me what your job title and position were at this time?

Mr. CHINOY. My job title, I was general manager for France and Monte Carlo at that time.

Senator BROWN. Was it your job normally to meet people at the train station when they came in?

Mr. CHINOY. Not normally, sir, but except when they were very important people and you didn't get a call from the president to the bank—when he called you jumped. He called maybe once in a year or twice a year, when he specifically called. But then you jumped when he called.

Senator BROWN. I understand, my wife calls every now and then too. Go ahead.

Mr. CHINOY. I went to the station and there, what you call, expecting—I was also told that I should meet him but I should not be too prominent. I should tell the arrangements are made for the hotel and try to get him at the same suite which Mr. Abedi used at the Hilton Hotel. Arrangements were made, I went to the station, Mr. Jesse Jackson had arrived with his wife and I think two members, if I remember right, two other members.

But I thought there would be people to receive him. There weren't anybody to receive him, so when I went up, I met him, I told him arrangements had been made. He very kindly asked that he did not know French, if I could arrange a taxi for him.

So having a car with me and with him—I offered to drop them, and what had also happened was my wife—I have a 20 year old—now she is 20, at that time, 1988, she was 16, when she had heard that I was going out in the evening to meet Mr. Jackson, she wanted his—

Senator BROWN. Not your wife, your daughter?

Mr. CHINOY. Yes, my daughter, 16 year old daughter—

Senator BROWN. Everybody was wondering about this 16 year old tradition here.

Mr. CHINOY. She wanted to meet Mr. Jackson, so my wife had brought her to the station and they were standing far back and I wasn't aware. They came up. We dropped them, and that is when I—what do you call it, Mr. Jesse Jackson asked us inside there and that is when I met him in Paris in 1985, end of 1985.

Senator BROWN. You mentioned that you made the arrangement. Did the bank pay for any of his expenses?

Mr. CHINOY. Yes, the bank paid for the hotel expenses.

Senator BROWN. Do you recall off hand how much that amounted to?

Mr. CHINOY. I am not 100 percent because it is an old -- but I think it was about \$30,000—30,000 francs, 30,000, 32,000 francs for Hilton hotel.

Senator BROWN. At the exchange rate then that would have been in the neighborhood of \$10,000?

Mr. CHINOY. No, the exchange rate I think was about eight something, approximately \$4,000 U.S.

Senator BROWN. \$4,000 U.S. Was Mr. Jackson involved in any bank activities while he was there on his business? What would be the occasion for paying for his \$4,000 in expenses?

Mr. CHINOV. As far as I am concerned, I had instructions from London, I debited expense account, made the payment, I got reimbursed from Mr. Hafeez and I think it was a reimbursement from Cayman. I know the reimbursement came, I think it was from Cayman, I am not 100 percent sure of that because I didn't keep a tab of it.

Senator BROWN. Now were there other times that Mr. Jackson visited?

Mr. CHINOV. He went to Africa from there, and on his return trip we again made arrangements, this time at the George V hotel, not at the Hilton and we again paid his expenses.

Senator BROWN. Do you recall off hand what that would have amounted to in approximate terms?

Mr. CHINOV. I think, sir, that would have been about, somewhere, I may be slightly wrong, because it was 6 years ago, but I think it was much more, it was 60,000, in the region of 60,000 francs. So that would be about \$7,000.

Senator BROWN. Was he involved in banking business in any way during the second visit?

Mr. CHINOV. Well, on the second visit he mentioned to me that he had had a good visit. He had met many heads of states in Africa and would it help us to have the accounts of many of the central banks, and I said naturally, yes.

So he said, if he spoke to them—then he said he wanted to know where Mr. Abedi was and he would speak directly—I mentioned to him that as far as—I was aware that Mr. Abedi was in London at that time, and he said he will speak directly to Mr. Abedi. He had no further discussions with me.

Senator BROWN. Do you know if he made any suggestions with regard to doing business in those countries?

Mr. CHINOV. I never heard from Mr. Jackson again or I never raised the subject with Mr. Abedi. You never asked the president who discussed what.

Senator BROWN. Do you have any idea who paid for the travel expenses to Africa or to London?

Mr. CHINOV. No, sir.

Senator BROWN. Do you know if BCCI picked up any other expenses?

Mr. CHINOV. Not that I am aware of, sir. I mean, I don't know, maybe London paid for his expenses in London, but I don't—I wouldn't know. Mr. Hafeez would know.

Senator BROWN. Do you know if Mr. Jackson ever assisted BCCI in obtaining accounts in Africa?

Mr. CHINOV. No, sir, I am not aware of any assistance.

Senator BROWN. Do you know if he visited BCCI offices in Africa?

Mr. CHINOV. I am not sure, sir, whether he visited, but I think he met our manager, the managing director in Nigeria. Again, this is an impression I have of very old—of that conversation, that he met him, but whether he visited the office itself, I am not sure.

Senator BROWN. One other thing, I am not familiar with the tax laws in France, but in the United States, expenses have to be ordinary and necessary associated with a business. There has to be a business purpose.

Mr. CHINOY. Right.

Senator BROWN. Does France have a similar requirement for deductible business expense, an expense that would be paid for by a business?

Mr. CHINOY. Yes.

Senator BROWN. Would it be fair to say that the payment of Mr. Jackson's expenses would have been, have to have been related to a business purpose?

Mr. CHINOY. It was not paid from France. We were reimbursed, as I mentioned, we had debited expense account, and we were reimbursed by Mr. Hafeez from London and I presume the money came from Cayman, but I don't know. We know that we were reimbursed. We did not pay it out of Paris.

Senator BROWN. One other question, I am wondering if you are familiar with the BCCI foundation that was established in Pakistan?

Mr. CHINOY. Yes, sir.

Senator BROWN. Can you just roughly outline for us how that foundation worked?

Mr. CHINOY. Sir, in 1979 or 1980, Mr. Abedi approached the Pakistani authorities that he wanted to establish a foundation to do charitable work, social work and to invest in certain, to invest and to create new industries and employment in Pakistan.

And what you call, funds for this would be generated by donating the—a major percent, I think 90 percent if I am right exactly, of the profits from Pakistan branches would be—instead of being repatriated, would be donated to this foundation and the foundation as I mentioned earlier would do charitable works, set up hospitals, social works, create jobs, employment and so on.

And eventually this foundation was set up, I think sometime in 1980, 1979 or 1980. In 1979 I think it was set up with the government of Pakistan nominating as the chairman, one or two trustees from the public and two or three from the BCCI management.

Senator BROWN. What can you tell us about the activities of that foundation? I guess, specifically, did the funds from that foundation go strictly for charitable work or did it involve other activities?

Mr. CHINOY. The Pakistan branches made very good, very substantial profits. I mean, to the extent that in—it started off in 1979, I think when I was there, we made \$8 million and it went up to—in 1988 I heard when I was there that the profit was on a figure of \$20 million.

Now this is pretax, 90 percent of pretax profits being generated in rupees being given to the foundation. It is a lot of money. They did some very good work. Some funds could also be used for other—if you wished you could use them because you have—a foundation, a charitable foundation is not subject to the same strict audit procedures or scrutiny by the central bank or the state bank of Pakistan which is the equivalent of the Federal Reserve.

So you could also it becomes an opportunity to get employment. If you want to do somebody a favor, you could put him on the staff of the foundation and find a job for him.

Senator BROWN. So it was a way to get pay to people that you wished to? Do you know of or have you heard of any of those funds though for questionable schemes such as bribery or other activities?

Mr. CHINOV. No, I have not heard of any personally, though I must say that I have been away from Pakistan from 1980 and the short visits I have made have been very short and these have been either personal, family visits and I have not gone into—or one or two delegations I took for 3, 4 days.

Senator BROWN. So other than an opportunity to find a friend employment, you don't know of any misuse of the trust funds?

Mr. CHINOV. I do not know, sir, myself.

Senator BROWN. Thank you. Thank you, Mr. Chairman.

Mr. CHINOV. There was a similar foundation in Zimbabwe also, I know of.

Senator BROWN. Were there other foundations that you know of that they set up or funded?

Mr. CHINOV. Sir, there were one or two in London, but I am not familiar with them. It was kept to the inner circle, but I know that there were foundations because some people, if they were sick or needed some problems for medical facilities, they did a lot of good work, their bills were paid from the foundation.

Senator BROWN. In terms of the donations to the foundations, are you aware of any times they were used for buying favor with political leaders?

Mr. CHINOV. I am not aware of it, sir, because I don't know much about the foundations' affairs, except that it was there, the large availability of funds was there as I said, it had a lot of money in Pakistan terms, \$15 to \$20 million, in rupee terms becomes a very large, substantial—400 million rupees is a lot of money available.

Senator BROWN. Thank you.

Mr. LAURO. Sir, we have gone for about 2 hours. Would it be possible to take a very brief break?

Senator KERRY. Sure. It is just about 11:20. Why do we not take a 15 minute recess at this time. We will recess until 20 minutes of. But before we recess I am going to put the documents into the record that I had specified earlier with respect to both CenTrust as well as Mr. Hammoud, and including some documents on First American, National Bank of Georgia, and a variety of other issues. These documents include questions and answers from Mr. Clifford and Mr. Altman from last October, which we have just received. We stand in recess for 15 minutes.

[A brief recess was taken.]

[The information referred to follows:]

## SKADDEN, ARPS, SLATE, MEAGHER &amp; FLOM

1440 NEW YORK AVENUE, N.W.  
WASHINGTON, D.C. 20005-2107

FAX: (202) 383-5760  

---

DIRECT DIAL  
(202) 371-

(202) 371-7000

March 6, 1992

BOSTON  
BRUSSELS  
CHICAGO  
FRANKFURT  
HONG KONG  
LONDON  
LOS ANGELES  
NEW YORK  
PARIS  
SAN FRANCISCO  
SYDNEY  
TOKYO  
TORONTO  
WILMINGTON

**BY HAND**

The Honorable John F. Kerry  
Chairman, Subcommittee on Terrorism,  
Narcotics and International Operations  
Senate Foreign Relations Committee  
421 Russell Senate Office Building  
Washington, D.C. 20510

Re: Messrs. Clifford and Altman

Dear Senator Kerry:

In response to your letter dated November 15, 1991 and Mr. Winer's letter dated December 11, 1991, on behalf of Messrs. Clifford and Altman we are providing herewith a number of documents. Please note that a number of the requests for documents in the referenced letters cover a wide range of matters over the past fourteen years. As with our previous production to your office, we have made a good faith effort to identify responsive materials from the voluminous files relating to these matters.

Specifically, enclosed please find the following:

1. An accounting of fees paid from the BCCI "Legal Defense Fund" through January 23, 1991. As we explained to Messrs. Winer and McKean during our meeting on February 26th, we understand that this accounting was prepared by Clifford & Warnke, and we have not verified the amounts listed therein against the underlying account documentation. Please note that this accounting reflects total payments in legal fees and vendor payments of approximately \$22 million, approximately one-half that indicated by the chart prepared by the House Banking Committee staff which you provided to us during Messrs. Clifford and Altman's October 24, 1991 appearance before your Subcommittee.

The Honorable John F. Kerry  
March 6, 1992  
Page Two

2. Copies of available Powers of Attorney granted to Mr. Altman by certain of the investors in First American.
3. Documents reflecting the relationship between Dr. Ghaith Pharaon and BCCI, as of the time of First American's purchase of the National Bank of Georgia ("NBG").
4. Page 46 of Mr. Altman's deposition in Sandberg v. Virginia Bankshares, Inc.
5. Documentation reflecting communications by Mr. Abedi regarding the NBG acquisition by First American.
6. Affidavit of R. Lee Jenkins, previously provided to the Federal Reserve Board in connection with this matter, which details the participation by the Board of Directors of First American Bankshares in the decision to acquire NBG.
7. Pages 89-90 of Messrs. Clifford's September 11, 1991 testimony before the House Banking Committee, in which he testified that he was advised by counsel from Wachtell Lipton to finance his BCCI stock purchase on a non-recourse basis.
8. Selected portions of the trial transcript in USA v. Awan et. al., reflecting the testimony of Agent Robert Mazur referred to by Mr. Altman in his response to your Question 60.
9. Documents reflecting the purchases of certificates of deposit from ICIC by CCAH in December 1986, and by First American Bankshares in January 1987 and May 1987.
10. Correspondence with Mr. Mohammad Mahmoud Hammoud. Please note that by letter to you dated October 11, 1991, we previously provided copies of written communications with Mr.

The Honorable John F. Kerry  
March 6, 1992  
Page Three

Hammoud's counsel, his accountant and representatives of his estate.

11. A "Fact Sheet" prepared in connection with your "Dear Colleague" letter of January 23, 1990.
12. Documents pertaining to communications with any Congressional office relating to BCCI during the period from January 1, 1990 to March 31, 1990.
13. Time sheet for James Duff, an associate with the firm of Clifford & Warnke, reflecting effort in connection with a contact with a Senate office on behalf of BCCI in the period January 1, 1990 through March 31, 1990.

\* \* \*

We have also enclosed the following three documents referred to by Messrs. Clifford and/or Altman during their October 24, 1991 appearance before your Committee:

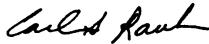
14. Bank of America press releases dated January 30, 1978 and September 1, 1978.
15. Letter to the Editor of the Wall Street Journal, from Geryld B. Christianson, Staff Director, Committee on Foreign Relations, U.S. Senate, published July 8, 1991.

With best wishes.

Sincerely,



Robert S. Bennett



Carl S. Rauh

Enclosures

ATTACHMENTS TO LETTER

FROM

ROBERT S. BENNETT

AND

CARL S. RAUH

TO

SENATOR JOHN F. KERRY,

DATED

MARCH 6, 1992

PRIVILEGED AND CONFIDENTIAL  
ATTORNEY WORK PRODUCT

ACCOUNTING OF LEGAL FEES FOR BCCI

January 23, 1991

AMJAD AWAN

	<u>AMOUNT OF BILL</u>	<u>TOTAL</u>
<u>Smith &amp; Fuller</u>		
	\$ 41,588.40	
	18,338.59	
	24,055.92	
	3,413.76	
	4,718.05	
	2,001.44	
	3,724.20	
	4,148.31	
	3,728.77	
	32,901.57	
<u>Witness Fee: John Pilcher</u>		
	5,000.00	
	7,119.50	
	20,236.41	
	47,360.02	
	21,865.27	
	9,833.70	
	1,856.08	
		\$ 251,889.99
<u>Perkins Coie</u>		
	\$ 55,125.58	
	64,388.83	
	69,628.81	
	33,099.06	
	28,924.68	
	27,397.46	
	23,317.86	
	22,574.93	
	28,478.09	
	41,288.19	
	73,464.63	
	196,840.30	
<u>Reimbursement: trial exp.</u>	28,575.01	
<u>Trust Account: Trial Center</u>	50,000.00	
	138,571.29	
<u>Pmt. on Acct.: Trial Ctr.</u>	20,000.00	
<u>Trial Center Expenses</u>	69,497.12	
<u>Trial Center Expenses</u>	27,498.60	
<u>Pmt. on Account: Legal Fees</u>	300,000.00	
<u>Pmt. on Acct: Trial Ctr.</u>	30,000.00	
<u>Pmt. on Acct: Trial Ctr.</u>	30,000.00	
<u>Pmt. on Account: Legal Fees</u>	100,000.00	
<u>Trial Center Expenses</u>	23,276.68	
		\$1,481,947.12

- 2 -

AMJAD AWAN (CONTINUED)

<u>Zuckerman, Spaeder, Taylor &amp; Evans</u>	\$ 4,888.72
	52.37
	6.80
	148.23
	199.75
	113.61
	449.23
	213.59
	\$ 6,072.30
<b>TOTAL FOR AMJAD AWAN</b>	<b>\$1,739,909.41</b>
	-----

- 3 -

SYED A. HUSSAIN

	<u>AMOUNT OF BILL</u>	<u>TOTAL</u>
<u>Hogan, Greer &amp; Shapiro</u>	\$ 23,921.00	
	66,049.58	
	50,402.02	
	27,174.09	
	26,146.79	
	28,603.58	
	10,768.00	
	24,584.10	
	2,951.67	
	15,262.81	
	7,539.57	
	8,850.96	
	9,971.92	
	19,597.52	
	30,083.20	
	82,654.42	
	84,356.07	
	166,286.45	
<u>Payment on Account</u>	70,000.00	
	80,000.00	\$ 835,203.75
<u>Trenam, Simmons, Kemker, Scharf, et al.</u>	\$ 24,439.17	
	38,562.23	
	20,809.38	
	11,404.82	
	22,207.77	
	3,359.74	
	711.00	
	570.35	
	937.85	
	\$ 123,002.31	
<u>Bush, Ross, Gardner Warren &amp; Rudy, P.A.</u>	\$ 25,358.47	
	11,062.24	
	14,476.76	
	26,533.97	
<u>Payment on Account</u>	20,000.00	
	25,000.00	
<u>Payment on Account</u>	25,000.00	
<u>Payment on Account</u>	20,000.00	\$ 167,431.44
<u>TOTAL FOR SYED A. HUSSAIN</u>		<u>\$1,125,637.50</u>
		=====

- 4 -

AKBAR A. BILGRAMI

	AMOUNT OF BILL	TOTAL
<u>Dunnells, Duvall, Bennett &amp; Porter</u>	\$ 27,666.54 42,380.61 45,368.05 33,473.34 40,306.99 27,909.48 30,645.25 46,822.04 31,014.83 49,740.83 103,314.65 367,561.16 3,199.81 120,000.00	\$ 969,403.58
<u>Skadden, Arps, Slate, Meagher &amp; Flom</u>		
Payment on Account	\$100,000.00	\$ 100,000.00
<u>Lazzara, Caskey, Polli, Gillick &amp; Paul</u>	\$ 19,630.00 27,148.79 39,813.16 46,786.00 24,767.25 25,390.30 33,846.60 29,842.64 27,810.20 22,768.78 15,600.11 17,664.48 17,540.00 15,247.50 24,402.32 49,183.68 82,863.41 44,288.49 102,449.76 70,000.00 70,000.00	\$ 807,043.47
TOTAL FOR AKBAR BILGRAMI		\$1,876,447.05
		=====

- 5 -

SIBTE HASSAN

	<u>AMOUNT OF BILL</u>	<u>TOTAL</u>
<u>Winkles, Trombley &amp;</u>		
<u>Kynes, P.A.</u>		
	\$ 31,638.51	
	73,256.57	
	49,846.98	
	44,106.27	
	40,792.33	
	51,326.33	
	45,591.60	
	65,920.87	
	48,560.27	
	16,583.54	
	14,104.32	
	30,000.00	
	18,286.02	
	38,439.64	
	87,839.26	
	37,594.54	
	85,319.65	
Payment on Account	60,000.00	
Payment on Account	60,000.00	
<b>TOTAL FOR SIBTE HASSAN</b>		<b>\$899,206.70</b>

- 6 -

IAN HOWARD

	<u>AMOUNT OF BILL</u>	<u>TOTAL</u>
<u>Patrick D. Doherty</u>	\$ 24,027.37	
	28,788.89	
	22,430.48	
	17,006.78	
	17,585.20	
	32,752.42	
<u>Payment on Account</u>	25,000.00	
	8,669.41	
	5,078.24	
	5,558.80	
	14,081.55	
	17,795.46	
	28,426.50	
	40,664.24	
	90,464.76	
<u>Payment on Account</u>	50,000.00	
<u>Payment on Account</u>	30,000.00	
		\$458,330.10
<u>Lund &amp; O'Flaherty</u>	\$ 564.50	
	574.25	
	642.25	
		\$ 1,781.00
<u>TOTAL FOR IAN HOWARD</u>		<u>\$460,111.10</u>
		=====

- 7 -

IQBAL ASHRAF

	<u>AMOUNT OF BILL</u>	<u>TOTAL</u>
<u>Sands &amp; Moskowitz</u>		\$ 2,050.00
<u>McCambridge, Deixler &amp; Marmaro</u>		\$ 5,121.25
<u>Shearman &amp; Sterling</u>	\$ 419,623.46 23,637.78 22,581.44 20,000.00 5,587.50 7,995.18	\$499,425.36
<u>Carlton, Fields, Ward, et al.</u>	\$ 5,418.87 6,466.53 17,691.67 30,000.00 30,000.00 39,943.85 43,152.15 3,531.53	\$176,204.60
<u>Lawrence F. Liebenbaum</u>	\$ 1,850.80 1,875.00	\$ 3,725.80
<u>Fowler, White, Gillen, Boggs, Villareal &amp; Bunker</u>	\$ 1,003.47	\$ 1,003.47
<b>TOTAL FOR IQBAL ASHRAF</b>		<b>\$687,530.48</b>
		=====

- 8 -

NAZIR CHINOY

	AMOUNT OF BILL	<u>TOTAL</u>
<u>Crowell &amp; Moring</u>		
	\$ 89,865.32	
	31,708.77	
	40,679.26	
	29,922.69	
	39,447.43	
	5,607.91	
	58,966.35	
	18,297.78	
	25,009.56	
	24,379.94	
	1,773.41	
Payment on Account	35,000.00	<u>\$ 400,658.42</u>
<u>Reynolds Dawson (Solicitors)</u>		
<u>C. Nicholls, O.C.</u>		
<u>A. Jones, Counsel</u>	\$ 21,003.06	
	21,310.70	
	22,868.51	
Payment on account:	47,850.00	
	87,694.60	
	63,807.41	
	45,133.23	
	61,220.22	
	87,573.00	
	117,280.70	
	19,966.25	
	150,000.00	
		<u>\$ 745,707.68</u>
<b>TOTAL FOR NAZIR CHINOY</b>		<b><u>\$1,146,366.10</u></b>
		<u>=====</u>

- 9 -

SAAD SHAFI

	AMOUNT OF BILL	TOTAL
<u>Spriggs &amp; Hollingsworth</u>	\$ 3,588.81	
	51,431.27	
	53,015.22	
	7,427.10	
	13,528.17	
	2,693.17	
	11,895.09	
	1,661.84	
	1,762.71	
	3,725.18	
	10,242.01	
	3,985.95	
	16,192.49	
	32,719.46	
		\$213,868.47
<u>McKinney, Bankcroft &amp; Hughes</u>	\$ 3,015.08	\$ 3,015.08
<u>Thomas A.E. Evans</u>	\$ 3,150.00	
	7,444.60	
		\$ 10,594.60
<b>TOTAL FOR SAAD SHAFI</b>		<b>\$227,478.15</b>
		=====

FLORIDA JEOPARDY TAX ASSESSMENT

	AMOUNT OF BILL	TOTAL
<u>B. Gray Gibbs, P.A.</u>	\$ 9,215.00	
	7,353.00	
	1,876.36	
	2,280.00	
	1,649.20	
	1,943.30	
	1,600.15	
	4,815.20	
	3,608.01	
	3,063.98	
	1,360.65	
	1,046.50	
	2,570.00	
	7,068.10	
Pmt. on Acct.: July 1990	2,000.00	
	2,119.80	
	760.25	
		\$ 54,329.50
		=====

- 10 -

**GRAND JURY WITNESSES**  
**BANDE HASAN, ET AL.**

	<u>AMOUNT OF BILL</u>	<u>TOTAL</u>
<u>Steel, Hector &amp; Davis</u>	\$ 38,547.77	
	40,588.94	
	16,037.33	
<u>Credit of \$9,969.21 Due</u>	16,037.33	
	2,563.51	
	1,768.05	
	243.35	
	1,995.29	
	1,568.47	
	3,107.16	
	1,824.70	
	4,985.62	
<u>Payment on Account</u>	50,000.00	
<u>Payment on Account</u>	30,000.00	
	12,864.19	
		\$222,131.71
		=====

**GRAND JURY INVESTIGATION**  
**TARIO JAN**

	<u>AMOUNT OF BILL</u>	<u>TOTAL</u>
<u>Raskin &amp; Graham, P.A.</u>	\$ 3,355.95	
	402.97	
	869.78	
	690.00	
	2,204.34	
	4,009.03	
	219.18	
	1,912.48	
<b>TOTAL FOR TARIO JAN</b>		<b>\$ 13,663.73</b>
		=====

- 11 -

BANK OF CREDIT AND COMMERCE INTERNATIONAL (OVERSEAS)

	<u>AMOUNT OF BILL</u>	<u>TOTAL</u>
<u>Laxalt, Washington, Perito &amp; Dubuc</u>		
	\$ 19,685.00	
	195,618.66	
	100,000.00	
	78,759.79	
	104,831.19	
	77,782.30	
	89,805.44	
Letras Matter	22,022.54	
	107,759.68	
Letras Matter	9,885.90	
Letras Matter	4,824.25	
	129,058.24	
On Account 4/21-5/23/89	100,000.00	
Letras Matter	3,458.94	
	163,595.41	
Letras Matter	1,367.11	
Letras Matter	1,347.06	
	133,733.06	
Payment on Account	225,000.00	
	532,351.50	
Letras Matter	3,694.09	
Letras Matter	4,877.41	
Payment on Account	50,000.00	
		\$2,159,457.57
<u>Axent, Fox, Kitner, Plotkin &amp; Kahn</u>		
	\$ 54,961.90	
	151,226.17	
	161,126.00	
	110,446.00	
	130,044.00	
	130,821.00	
	82,064.90	
	225,000.00	
	130,279.00	
Payment on Account	250,000.00	
	613,520.00	
	19,680.00	
Payment on Account	200,000.00	
Payment on Account	100,000.00	
		\$2,359,168.97

- 12 -

BCCI OVERSEAS CONTINUED:

<u>Janis, Schuelke &amp; Wechsler</u>	\$ 56,340.65
	138,795.94
	107,880.89
	119,665.68
	101,879.92
	71,869.70
	94,254.50
	107,427.87
	86,885.83
	127,597.22
	64,392.41
Payment on Account	125,000.00
	161,148.59
	120,000.00
Payment on Account	150,000.00
	99,027.92
Payment on Account	50,000.00
	\$1,782,167.12
<u>Morrison &amp; Foerster</u>	\$100,000.00
	127,839.49
	55,494.09
	37,692.59
	18,902.33
	17,892.07
	68,271.39
	65,100.74
	28,870.89
	30,518.63
	36,232.83
	21,442.13
	58,061.78
	31,309.05
	39,653.81
	15,026.41
	10,406.73
	60,564.91
	4,917.33
	\$ 828,197.20
TOTAL FOR BCCI (OVERSEAS)	\$7,128,990.86
	=====

- 13 -

BANK OF CREDIT AND COMMERCE INTERNATIONAL, S.A.

	<u>AMOUNT OF BILL</u>	<u>TOTAL</u>
<u>Holland &amp; Knight</u>		
3,426.22	\$161,795.61	
21,610.41		
168,298.27		
60,624.96		
48,845.67		
22,760.75		
14,886.26		
FL taxation proceedings	39,322.13	
FL Comptroller	5,423.20	
FL Comptroller	13,238.86	
FL Comptroller	42,307.03	
Indictment/tax	34,141.46	
Indictment	42,151.98	
FL taxation proceedings	45,827.70	
FL Comptroller	8,111.35	
	19,181.51	
Payment on Account #68	125,000.00	
Payment on Account #31	65,000.00	
Payment on Account #69	9,118.84	
Payment on Account #58	150,000.00	
Reimbursement-Trial Center	7,677.32	
	100,025.46	
Witness fee: Raymond Anrig	35.00	
Payment on Account	250,000.00	
Payment on Account	800,000.00	
Payment on Account	700,000.00	
	\$ 2,958,809.99	
<u>Milbank, Tweed, Hadley</u> <u>&amp; McCloy</u>		
	\$226,807.61	
	152,591.75	
	\$ 379,399.36	
<u>Sumner &amp; Schick</u>		
	\$ 1,006.00	
	5,046.37	
	344.38	
	254.57	
	4,716.02	
	\$ 11,367.34	
<u>Berliner &amp; Maloney</u>	\$ 227.02	\$ 227.02
<u>Peter Carter-Ruck &amp; Partners</u>	\$ 5,000.00	\$ 5,000.00
<u>Langone, Pagani &amp; Asso.</u>	\$ 11,491.25	\$ 11,491.24

- 14 -

BCCI, S.A. CONTINUED:

<u>Pettit &amp; Martin</u>	\$ 14,398.15	\$ 14,398.15
<u>Bomchil, Castro, et al.</u>	\$ 769.59	
	689.52	
	544.97	
		\$ 2,004.08
<u>Poncet Turrettini Amaudruz &amp; Neyroud</u>	\$ 10,725.00	\$ 10,725.00
<b>TOTAL</b>		<b>\$ 3,393,422.18</b>
<b>TOTAL LEGAL FEES PAID TO DATE</b>		<b>\$18,975,224.47</b>

**PRIVILEGED AND CONFIDENTIAL**  
**ATTORNEY WORK PRODUCT** -

**ACCOUNTING OF FEES PAID TO VENDORS**  
**ON BEHALF OF BCCI**  
**January 23, 1991**

**MISCELLANEOUS SERVICES:**

<b><u>DATE</u></b>	<b><u>RECIPIENT</u></b>	<b><u>AMOUNT</u></b>
11/11/88	Paul Hogan & Associates	\$ 6,750.00
02/07/89	DHL Worldwide Express	146.00
06/27/89	Henry T. Culbreth, CPA	2,256.75
09/14/89	Henry T. Culbreth, CPA	536.90
09/14/89	Henry T. Culbreth, CPA	599.35
05/01/90	Henry T. Culbreth, CPA	3,188.70
07/26/90	Seven Languages Trans- lating Services, Inc.	1,190.42
07/26/90	Figaro Travel South	3,521.00
08/02/90	Figaro Travel South	5,298.00
09/05/90	R. Shan Shikarpuri, P.A. (CPA: I. Ashraf)	<u>1,650.00</u>
<b>Subtotal</b>		<b>\$ 25,137.12</b>

**INVESTIGATIVE:**

<b><u>DATE</u></b>	<b><u>RECIPIENT</u></b>	<b><u>AMOUNT</u></b>
11/11/88	Philip Manuel Resource	\$ 17,621.65
11/28/88	Philip Manuel Rescourse	11,086.29
01/12/89	Philip Manuel Resource	44,621.75
02/10/89	Philip Manuel Resource	32,786.24
04/18/89	Philip Manuel Resource	28,121.90
05/15/89	Philip Manuel Resource	3,443.95
07/19/89	Philip Manuel Resource	14,923.50
08/03/89	Philip Manuel Resource	17,560.40
09/12/89	Philip Manuel Resource	6,870.30
09/12/89	Philip Manuel Resource	29,767.16
11/29/89	Philip Manuel Resource	8,315.25
01/31/90	Philip Manuel Resource	7,218.75
12/13/89	The Morley Group	9,432.80
01/12/90	The Morley Group	10,470.30
02/22/90	The Morley Group	9,631.98
06/06/90	Philip Manuel Resource	54,787.80
06/22/90	Philip Manuel Resource	76,163.10
08/17/90	Philip Manuel Resource	55,000.00
08/17/90	The Morley Group	20,000.00
09/27/90	Philip Manuel Resource	50,000.00
09/27/90	The Morley Group	8,446.36
<b>Subtotal</b>		<b>\$ 516,269.48</b>

- 2 -

ACCOUNTANTS:

<u>DATE</u>	<u>RECIPIENT</u>	<u>AMOUNT</u>
05/03/89	Price Waterhouse	\$ 130,400.00
06/12/89	Price Waterhouse	26,900.00
07/19/89	Price Waterhouse	54,550.00
07/27/89	Price Waterhouse	117,700.00
10/11/89	Price Waterhouse	570,686.00
12/20/89	Price Waterhouse	300,000.00
02/07/90	Price Waterhouse	262,400.00
05/09/90	Price Waterhouse	38,387.47
05/17/90	Price Waterhouse	162,300.00
05/22/90	Price Waterhouse	38,386.77
08/07/90	Price Waterhouse	<u>97,021.00</u>
Subtotal		\$1,798,731.24

DUPPLICATION SERVICES:

<u>DATE</u>	<u>RECIPIENT</u>	<u>AMOUNT</u>
12/06/88	PIP Printing	\$ 5,288.07
12/06/88	Xerox Corporation	728.38
12/30/88	Xerox Corporation	13,830.94
12/30/88	Pandick Technologies Inc.	48.44
01/11/89	Xerox Corporation	1,833.75
01/26/89	Exchange Photo Offset Corporation	43,639.42
02/06/89	PIP Printing	202.51
02/07/89	Xerox Corporation	20,825.04
02/22/89	Xerox Corporation	555.77
04/04/89	Xerox Corporation	778.85
04/19/89	Xerox Corporation	4,942.68
06/12/89	Xerox Corporation	4,305.30
06/27/89	Xerox Corporation	1,465.17
07/12/89	Xerox Corporation	3,729.08
07/27/89	PIP Printing	314.12
08/09/89	PIP Printing	92.23
08/25/89	PIP Printing	500.23
08/25/89	PIP Printing	96.46
08/25/89	Xerox Corporation	3,462.29
09/14/89	PIP Printing	912.28
09/25/89	PIP Printing	938.16
09/27/89	Xerox Corporation	7,612.47
10/02/89	PIP Printing	1,164.17
10/16/89	PIP Printing	341.91
10/26/89	PIP Printing	142.81
10/26/89	Xerox Corporation	21,133.44
10/26/89	PIP Printing	40.73
11/13/89	PIP Printing	120.68

- 3 -

DUPPLICATION SERVICES CONTINUED:

12/01/89	PIP Printing	249.82
12/01/89	Xerox Corporation	22,970.31
12/13/89	PIP Printing	23.90
12/20/89	PIP Printing	106.57
12/22/89	Xerox Corporation	1,326.29
01/03/90	PIP Printing	30.55
01/31/90	Xerox Corporation	5,922.33
01/31/90	PIP Printing	458.97
02/21/90	Xerox Corporation	18,437.48
05/01/90	Xerox Corporation	30,000.00
05/09/90	Xerox Corporation	21,877.04
06/11/90	Xerox Corporation	13,235.21
06/22/90	Xerox Corporation	14,427.58
07/26/90	Xerox Corporation	22,545.98
10/10/90	Xerox Corporation	23,794.93
10/17/90	Xerox Corporation	2,272.04
Subtotal		\$316,724.38

COURT REPORTERS:

DATE	RECIPIENT	AMOUNT
12/06/88	Linda Frecka & Associates	\$ 994.00
12/06/88	Michael Musetta & Asso.	30.00
02/22/89	Linda Frecka & Associates	117.00
03/16/89	Carol Jacobs Court Rptr.	252.00
06/12/89	Carol J. Jacobs,	\$ 180.00
06/12/89	Linda Frecka & Asso.	390.00
06/27/89	Linda Frecka & Asso.	277.00
07/27/89	Linda Frecka & Asso.	70.00
09/14/89	Linda Frecka & Asso.	490.00
09/14/89	Linda Frecka & Asso.	155.00
10/16/89	Michael B. Nash	2,162.50
12/01/89	Linda Frecka & Asso.	265.00
12/20/89	Carol J. Jacobs	290.00
01/31/90	Linda Frecka & Asso.	110.00
06/11/90	Klein-Bury & Asso.	<u>2,395.50</u>
Subtotal		\$ 8,178.00

COMPUTER SERVICES:

DATE	RECIPIENT	AMOUNT
12/30/88	David Traub Computer	\$ 1,395.00
01/11/89	David Traub Computer	499.08
03/17/89	Delta Audio-Visual	71.55
06/12/89	AVCOM	2,129.40
06/12/89	Delta Audio-Visual	1,173.42

- 4 -

COMPUTER SERVICES (CONTINUED):

07/31/89	AVCOM	1,497.60
08/09/89	Delta Audio-Visual	110.77
09/14/89	AVCOM	35.10
10/26/89	Delta Audio-Visual	888.77
10/27/89	Delta Audio-Visual	327.09
11/13/89	Delta Audio-Visual	181.13
11/15/89	Delta Audio-Visual	174.14
12/20/89	Delta Audio-Visual	50.56
01/03/90	Delta Audio-Visual	15.77
05/21/90	Alpha-Merics, Inc.	2,115.00
07/10/90	Alpha-Merics, Inc.	<u>1,683.73</u>
Subtotal		\$ 12,348.11

EXPERT WITNESSES:

DATE	RECIPIENT	AMOUNT
06/27/89	Roger W. Shuy, Inc.	\$ 4,450.00
07/28/89	Roger W. Shuy, Inc.	2,250.00
08/09/89	Roger W. Shuy, Inc.	5,493.75
09/20/89	Roger W. Shuy, Inc.	8,775.00
10/02/89	Business Risks Intl.	5,000.00
10/16/89	Roger W. Shuy, Inc.	1,900.00
11/08/89	Customs International	5,000.00
11/15/89	Roger W. Shuy, Inc.	3,040.00
11/27/89	Ernest Aschkenasy, Inc.	5,000.00
11/29/89	Customs International	928.00
12/13/89	Roger W. Shuy, Inc.	2,500.00
12/13/89	Robert Grosse	2,658.00
12/20/89	Ernest Aschkenasy, Inc.	9,737.68
01/12/90	Roger W. Shuy, Inc.	\$ 9,200.00
01/12/90	Dr. Robert Grosse	3,400.00
01/12/90	Business Risks International	8,327.41
01/31/90	Ernest Aschkenasy, Inc.	9,651.53
02/08/90	Dr. Ronald Butters	1,900.00
02/22/90	Customs International	4,146.00
02/22/90	Johnson & Gibbs	1,039.69
03/02/90	The Valley Financial Group	424.53
03/06/90	Dr. Ronald Butters	3,354.80
04/18/90	Carl Felsenfeld	1,462.00
04/19/90	Dr. Charles Poncet	10,538.00
05/01/90	Nickerson & Stiner	2,887.50
05/23/90	Business Risks Intl.	22,926.08
07/16/90	Business Risks Intl.	<u>3,633.36</u>
Subtotal		\$139,623.33

TOTAL TO DATE: \$2,817,011.66

POWER OF ATTORNEY

Know all men by these presents that the undersigned has made, constituted, and appointed, and by these presents does hereby make, constitute, and appoint, Robert A. Altman, of the law firm of Clifford & Warnke, as the undersigned's true and lawful agent and attorney-in-fact to act in the name, place, and stead, and on behalf of, the undersigned with respect to any and all matters relating to the ownership of shares of Credit and Commerce American Holdings, N.V. ("CCAH"); the conduct of the operations of any and all of the following corporate entities in which the undersigned has an indirect interest by virtue of ownership of his CCAH shares: Credit and Commerce American Investment, B.V.; First American Corporation; First American Bankshares, Inc. and all subsidiaries and affiliates thereof; and any other matters deemed by Mr. Altman to be necessary and appropriate in connection with such investments, giving and granting unto such agent and attorney-in-fact full power and authority to perform each and every act and thing whatsoever required and necessary to be done in and about the premises, as fully and to all intents and purposes, as the undersigned might or could do if personally present. The undersigned hereby ratifies each and every action taken by Mr. Altman as the undersigned's attorney-in-fact or other representative with respect to any action taken by him in connection with any of the foregoing matters. The authority granted to Mr. Altman herein shall be deemed to supplement any authority previously granted to Mr. Altman.

IN WITNESS WHEREOF, the undersigned has hereunto set his hand as of the \_\_\_\_\_ day of \_\_\_\_\_, 1982.



Sheikh Kamal Adham

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS THAT THE UNDERSIGNED HAS MADE, CONSTITUTED, AND APPOINTED, AND BY THESE PRESENTS DOES HEREBY MAKE, CONSTITUTE, AND APPOINT, ROBERT A. ALTMAN, OF THE LAW FIRM OF CLIPPORD & WARNKE, AS THE UNDERSIGNED'S TRUE AND LAWFUL AGENT AND ATTORNEY-IN-FACT TO ACT IN THE NAME, PLACE AND STEAD, AND ON BEHALF OF, THE UNDERSIGNED WITH RESPECT TO ANY AND ALL MATTERS RELATING TO THE TRANSFER, SALE OR OTHER DISPOSITION OF 1,619 REGISTERED SHARES IN CREDIT AND COMMERCE AMERICAN HOLDINGS N.V. (THE 'COMPANY'), HELD IN THE NAME OF THE UNDERSIGNED, GIVING AND GRANTING UNTO SUCH AGENT AND ATTORNEY-IN-FACT FULL POWER AND AUTHORITY TO DETERMINE THE PRICE PER SHARE TO BE PAID AND, UPON VERIFICATION OF RECEIPT OF THE UNDERSIGNED OF THE FULL PURCHASE PRICE, TO ENDORSE OVER THE SHARES ON BEHALF OF THE UNDERSIGNED TO A PURCHASER AND TO PERFORM EACH AND EVERY ACT AND THING WHATSOEVER REQUIRED AND NECESSARY TO BE DONE TO EFFECTUATE THE TRANSFER OF OWNERSHIP, INCLUDING ARRANGING THE DELIVERY OF SAID SHARES TO THE PURCHASER AND THE PROPER ENTRY ON THE SHARE REGISTER OF THE COMPANY. THE UNDERSIGNED HEREBY RATIFIES EACH AND EVERY ACTION TAKEN BY MR. ALTMAN AS THE UNDERSIGNED'S AGENT AND ATTORNEY-IN-FACT WITH RESPECT TO ANY ACTION TAKEN BY HIM IN CONNECTION WITH ANY OF THE FOREGOING MATTERS.

IN WITNESS WHEREOF, THE UNDERSIGNED HAS HEREUNTO SET HIS HAND AS OF  
THE 23rd DAY OF July 1986

BY \_\_\_\_\_



Power not  
needed -  
STD Signed



POWER OF ATTORNEY

Know all men by these presents that the undersigned has made, constituted, and appointed, and by these presents does hereby make, constitute, and appoint, Robert A. Altman, of the law firm of Clifford & Warnke, as the undersigned's true and lawful agent and attorney-in-fact to act in the name, place, and stead, and on behalf of, the undersigned with respect to any and all matters relating to the ownership of shares of Credit and Commerce American Holdings, N.V. ("CCAH"); the conduct of the operations of any and all of the following corporate entities in which the undersigned has an indirect interest by virtue of ownership of his CCAH shares: Credit and Commerce American Investment, B.V.; First American Corporation; First American Bankshares, Inc. and all subsidiaries and affiliates thereof; and any other matters deemed by Mr. Altman to be necessary and appropriate in connection with such investments, giving and granting unto such agent and attorney-in-fact full power and authority to perform each and every act and thing whatsoever required and necessary to be done in and about the premises, as fully and to all intents and purposes, as the undersigned might or could do if personally present. The undersigned hereby ratifies each and every action taken by Mr. Altman as the undersigned's attorney-in-fact or other representative with respect to any action taken by him in connection with any of the foregoing matters. The authority granted to Mr. Altman herein shall be deemed to supplement any authority previously granted to Mr. Altman.

This instrument confirms the undersigned's prior instructions to Robert A. Altman, of the law firm of Clifford & Warnke, that Abdullah Darwaish no longer represents the undersigned with respect to the undersigned's ownership of shares in Credit and Commerce American Holdings, N.V. or any subsidiary or affiliate thereof. Mr. Altman is authorized and instructed to take all steps deemed necessary by him according to his judgment and discretion to effectuate the prompt removal of Mr. Darwaish as agent or representative for the undersigned, including, without limiting the foregoing, the modification or correction of relevant books, records, shares, or accounts and the giving of such notice to such persons or entities as may be determined by Mr. Altman to be necessary and appropriate.

IN WITNESS WHEREOF, the undersigned has hereunto set his hand as of the 31st day of December, 1982.



Mohammad bin Zaid al-Nahyan

*Power not  
needed -*

POWER OF ATTORNEY

*Stds signed*

KNOW ALL MEN BY THESE PRESENTS THAT THE UNDERSIGNED HAS MADE, CONSTITUTED, AND APPOINTED, AND BY THESE PRESENTS DOES HEREBY MAKE, CONSTITUTE, AND APPOINT, ROBERT A. ALTMAN, OF THE LAW FIRM OF CLIFFORD & WARNKE, AS THE UNDERSIGNED'S TRUE AND LAWFUL AGENT AND ATTORNEY-IN-FACT TO ACT IN THE NAME, PLACE AND STEAD, AND ON BEHALF OF, THE UNDERSIGNED WITH RESPECT TO ANY AND ALL MATTERS RELATING TO THE TRANSFER, SALE OR OTHER DISPOSITION OF 1,470- REGISTERED SHARES IN CREDIT AND COMMERCE AMERICAN HOLDINGS N.V. (THE 'COMPANY'), HELD IN THE NAME OF THE UNDERSIGNED AND EVIDENCED BY CERTIFICATE NO. 17 (THE 'CERTIFICATE'), GIVING AND GRANTING UNTO SUCH AGENT AND ATTORNEY-IN-FACT FULL POWER AND AUTHORITY TO DETERMINE THE PRICE PER SHARE TO BE PAID AND, UPON VERIFICATION OF RECEIPT OF THE UNDERSIGNED OF THE FULL PURCHASE PRICE, TO ENDORSE OVER THE CERTIFICATE ON BEHALF OF THE UNDERSIGNED TO A PURCHASER AND TO PERFORM EACH AND EVERY ACT AND THING WHATSOEVER REQUIRED AND NECESSARY TO BE DONE TO EFFECTUATE THE TRANSFER OF OWNERSHIP, INCLUDING ARRANGING THE DELIVERY OF SAID CERTIFICATE TO THE PURCHASER AND THE PROPER ENTRY ON THE SHARE REGISTER OF THE COMPANY. THE UNDERSIGNED HEREBY RATIFIES EACH AND EVERY ACTION TAKEN BY MR. ALTMAN AS THE UNDERSIGNED'S AGENT AND ATTORNEY-IN-FACT WITH RESPECT TO ANY ACTION TAKEN BY HIM IN CONNECTION WITH ANY OF THE FOREGOING MATTERS.

IN WITNESS WHEREOF, THE UNDERSIGNED HAS HEREUNTO SET HIS HAND AS OF  
THE 16th DAY OF December, 1983.



Gulf Investment Real Estate Co.

BY : \_\_\_\_\_

TITLE : \_\_\_\_\_



POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS THAT THE UNDERSIGNED HAS MADE, CONSTITUTED, AND APPOINTED, AN BY THESE PRESENTS DOES HEREBY MAKE, CONSTITUTE, AND APPOINT, ROBERT A. ALTMAN, OF THE LAW FIRM OF CLIFFORD & WARNKE, AS THE UNDERSIGNED'S TRUE AND LAWFUL AGENT AND ATTORNEY-IN-FACT TO ACT IN THE NAME, PLACE AND STEAD, AND ON BEHALF OF THE UNDERSIGNED, WITH RESPECT TO ANY AND ALL MATTERS RELATING TO THE TRANSFER, SALE OR OTHER DISPOSITION OF 880 REGISTERED SHARES IN CREDIT AND COMMERCE AMERICAN HOLDINGS N.V. (THE 'COMPANY'), HELD IN THE NAME OF THE UNDERSIGNED AND EVIDENCED BY CERTIFICATE NO.18 (THE 'CERTIFICATE'), GIVING AND GRANTING UNTO SUCH AGENT AND ATTORNEY-IN-FACT FULL POWER AND AUTHORITY TO DETERMINE THE PRICE PER SHARE AS US\$2,100.- TO BE PAID AND, UPON VERIFICATION OF RECEIPT OF THE UNDERSIGNED OF THE FULL PURCHASE PRICE, TO ENDORSE OVER THE CERTIFICATE ON BEHALF OF THE UNDERSIGNED OF THE FULL PURCHASE PRICE, TO ENDORSE OVER THE CERTIFICATE ON BEHALF OF THE UNDERSIGNED TO A PURCHASER AND TO PERFORM EACH AND EVERY ACT AND THING WHATSOEVER REQUIRED AND NECESSARY TO BE DONE TO EFFECTUATE THE TRANSFER OF OWNERSHIP, INCLUDING ARRANGING THE DELIVERY OF SAID CERTIFICATE TO THE PURCHASER AND THE PROPER ENTRY ON THE SHARE REGISTER OF THE COMPANY. THE UNDERSIGNED HEREBY RATIFIES EACH AND EVERY ACTION TAKEN BY MR. ALTMAN AS THE UNDERSIGNED'S AGENT AND ATTORNEY-IN-FACT WITH RESPECT TO ANY ACTION TAKEN BY HIM IN CONNECTION WITH ANY OF THE FOREGOING MATTERS.

IN WITNESS WHEREOF, THE UNDERSIGNED HAS HEREUNTO SET HIS HAND AS OF THE 13th DAY OF Feb. 1985.

---

REAL ESTATE DEVELOPMENT CO. K.S.C.C.BY : 

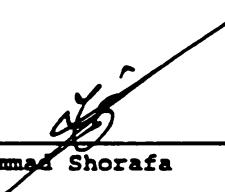
SABAH AL-RAEES

TITLE : Chairman

P O W E R   O F   A T T O R N E Y

Know all men by these presents that the undersigned has made, constituted, and appointed, and by these presents does hereby make, constitute, and appoint, Robert A. Altman, of the law firm of Clifford & Warnke, as the undersigned's true and lawful agent and attorney-in-fact to act in the name, place, and stead, and on behalf of, the undersigned with respect to any and all matters relating to the ownership of shares of Credit and Commerce American Holdings; N.V. ("CCAH"); the conduct of the operations of any and all of the following corporate entities in which the undersigned has an indirect interest by virtue of ownership of his CCAH shares: Credit and Commerce American Investment, B.V.; First American Corporation; First American Bankshares, Inc. and all subsidiaries and affiliates thereof; and any other matters deemed by Mr. Altman to be necessary and appropriate in connection with such investments, giving and granting unto such agent and attorney-in-fact full power and authority to perform each and every act and thing whatsoever required and necessary to be done in and about the premises, as fully and to all intents and purposes, as the undersigned might or could do if personally present. The undersigned hereby ratifies each and every action taken by Mr. Altman as the undersigned's attorney-in-fact or other representative with respect to any action taken by him in connection with any of the foregoing matters. The authority granted to Mr. Altman herein shall be deemed to supplement any authority previously granted to Mr. Altman.

IN WITNESS WHEREOF, the undersigned has hereunto set his hand as of the 25th day of July, 1986.

  
HE Ali Mohammed Shorafa

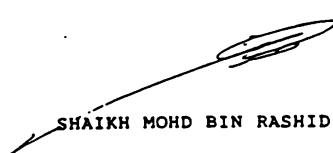
*Power not  
needed - Sd's  
Signed by  
Stock Holding*

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS THAT THE UNDERSIGNED HAS MADE, CONSTITUTED, AND APPOINTED, AND BY THESE PRESENTS DOES HEREBY MAKE, CONSTITUTE, AND APPOINT, ROBERT A. ALTMAN, OF THE LAW FIRM OF CLIFFORD & WARNEKE, AS THE UNDERSIGNED'S TRUE AND LAWFUL AGENT AND ATTORNEY-IN-FACT TO ACT IN THE NAME, PLACE AND STEAD, AND ON BEHALF OF, THE UNDERSIGNED WITH RESPECT TO ANY AND ALL MATTERS RELATING TO THE TRANSFER, SALE OR OTHER DISPOSITION OF 13,220 REGISTERED SHARES IN CREDIT AND COMMERCE AMERICAN HOLDINGS N.V. (THE 'COMPANY'), HELD IN THE NAME OF THE UNDERSIGNED, GIVING AND GRANTING UNTO SUCH AGENT AND ATTORNEY-IN-FACT FULL POWER AND AUTHORITY TO DETERMINE THE PRICE PER SHARE TO BE PAID AND, UPON VERIFICATION OF RECEIPT OF THE UNDERSIGNED OF THE FULL PURCHASE PRICE, TO ENDORSE OVER THE SHARES ON BEHALF OF THE UNDERSIGNED TO A PURCHASER AND TO PERFORM EACH AND EVERY ACT AND THING WHATSOEVER REQUIRED AND NECESSARY TO BE DONE TO EFFECTUATE THE TRANSFER OF OWNERSHIP, INCLUDING ARRANGING THE DELIVERY OF SAID SHARES TO THE PURCHASER AND THE PROPER ENTRY ON THE SHARE REGISTER OF THE COMPANY. THE UNDERSIGNED HEREBY RATIFIES EACH AND EVERY ACTION TAKEN BY MR. ALTMAN AS THE UNDERSIGNED'S AGENT AND ATTORNEY-IN-FACT WITH RESPECT TO ANY ACTION TAKEN BY HIM IN CONNECTION WITH ANY OF THE FOREGOING MATTERS.

IN WITNESS WHEREOF, THE UNDERSIGNED HAS HEREUNTO SET HIS HAND AS OF THE 24th DAY OF July, 1986.

FOR AND ON BEHALF OF  
H.H. SHAIKH RASHID BIN SAID AL MAKTOUM/STOCK HOLDING COMPANY



SHAIKH MOHD BIN RASHID AL MAKTOUM

POWER OF ATTORNEY

Know all men by these presents that the undersigned has made, constituted, and appointed, and by these presents does hereby make, constitute, and appoint, Robert A. Altman, of the law firm of Clifford & Warnke, as the undersigned's true and lawful agent and attorney-in-fact to act in the name, place, and stead, and on behalf of, the undersigned with respect to any and all matters relating to the ownership of shares of Credit and Commerce American Holdings, N.V. ("CCAH"); the conduct of the operations of any and all of the following corporate entities in which the undersigned has an indirect interest by virtue of ownership of his CCAH shares: Credit and Commerce American Investment, B.V.; First American Corporation; First American Bankshares, Inc. and all subsidiaries and affiliates thereof; and any other matters deemed by Mr. Altman to be necessary and appropriate in connection with such investments, giving and granting unto such agent and attorney-in-fact full power and authority to perform each and every act and thing whatsoever required and necessary to be done in and about the premises, as fully and to all intents and purposes, as the undersigned might or could do if personally present. The undersigned hereby ratifies each and every action taken by Mr. Altman as the undersigned's attorney-in-fact or other representative with respect to any action taken by him in connection with any of the foregoing matters. The authority granted to Mr. Altman herein shall be deemed to supplement any authority previously granted to Mr. Altman.

IN WITNESS WHEREOP, the undersigned has hereunto set his hand a of the 16th date of December, 1983.



---

SHEIKH ZAIED BIN SULTAN AL NAHAYAN

POWER OF ATTORNEY

Know all men by these presents that the undersigned has made, constituted, and appointed, and by these presents does hereby make, constitute, and appoint, Robert A. Altman, of the law firm of Clifford & Warnke, as the undersigned's true and lawful agent and attorney-in-fact to act in the name, place, and stead, and on behalf of, the undersigned with respect to any and all matters relating to the ownership of shares of Credit and Commerce American Holdings, N.V. ("CCAH"); the conduct of the operations of any and all of the following corporate entities in which the undersigned has an indirect interest by virtue of ownership of his CCAH shares: Credit and Commerce American Investment, B.V.; First American Corporation; First American Bankshares, Inc. and all subsidiaries and affiliates thereof; any any other matters deemed by Mr. Altman to be necessary and appropriate in connection with such investments, giving and granting unto such agent and attorney-in-fact full power and authority to perform each and every act and thing whatsoever required and necessary to be done in and about the premises, as fully and to all intents and purposes, as the undersigned might or could do if personally present. The undersigned might or could do if personally present. The undersigned hereby ratifies each and every action taken by Mr. Altman as the undersigned's attorney-in-fact or other representative with respect to any action taken by him in connection with any of the foregoing matters. The authority granted to Mr. Altman herein shall be deemed to supplement any authority previously granted to Mr. Altman.

IN WITNESS WHEREOF, the undersigned has hereunto set his hand as of the 21st day of November, 1989.

*FZ* *Lc*  
SHEIKH ZAIED BIN SULTAN AL NAHYAN

[Notarization]

CONFIDENTIAL

Robert A. Altman, Esq.  
Clifford & Warnke  
815 Connecticut Avenue, N.W.  
Washington, D.C. 20006  
U.S.A.

Dear Mr. Altman.

This letter confirms my prior instructions to you as my true and lawful agent and attorney-in-fact to purchase for my personal account the proportionate shares in Credit and Commerce American Holdings, N.V. (CCAH) made available for purchase under new right shares offerings in 1983, 1986 and 1987. These purchases included:

- 4,630 shares on 22 December 1983;  
7,959 shares on 25 July 1986; and  
5,565 shares on 14 August 1987.

Each and every act you have undertaken on my personal behalf, including but not limited to the execution of any letters of acceptance agreeing to accept the proportionate CCAH shares offered to me, is hereby expressly ratified and affirmed.

I further confirm that all such purchases were made with my own personal funds.

Dated: 21st November 1989

Fay

ZC  
H.H. Sheikh Zayed bin Sultan  
Al Nahyan  
Royal Palace  
Abu Dhabi, U.A.E.

## POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned has made, constituted and appointed, and by these presents does make, constitute and appoint Abdus Sami and Robert A. Altman, and each of them individually, without the other, as the undersigned's true and lawful agent and attorney-in-fact to act in the name, place and stead of the undersigned with respect to:

(a) any and all matters relating to the ownership of shares of common stock ("Shares"), par value \$.10 per share, of Financial General Bankshares, Inc. or any tender offer ("Tender Offer") for additional Shares, including, without limitation, the execution and filing of any and all documents or papers with any court, agency, commission or regulatory authority whatsoever required by, or appropriate under, any law, rule or regulation of the United States of America or of any state or local instrumentality thereof.

(b) any and all matters relating to or in connection with regulatory approvals or consents which may be necessary or appropriate in connection with the making or consummation of the Tender



Offer including, without limitation, the Federal Reserve Board, the Federal Reserve Bank of Richmond and the state banking and securities authorities in the states of Maryland, New York, Tennessee and Virginia and the District of Columbia;

(c) the safekeeping of Shares at a financial institution in the District of Columbia; and

(d) any and all matters relating to, or in connection with, any litigation involving, related to or arising from any of the foregoing

giving and granting unto each said agent and attorney-in-fact full power and authority to do and perform all and every act and thing whatsoever required and necessary to be done in and about the premises, as fully, to all intents and purposes, as the undersigned might or could do if personally present.

Anything herein to the contrary notwithstanding, the authority given hereby shall not be deemed to include any authority with respect to the voting of Shares presently owned or with respect to investment authority thereover (which, in each case, is being retained by the undersigned), except

to the extent as may be required by a valid court order.

IN WITNESS WHEREOF, the undersigned has hereunder  
set his hand and seal this      day of

, 1978.



## POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS that the undersigned has made, constituted and appointed, and by these presents does hereby make, constitute and appoint, ROBERT A. ALTMAN, as the undersigned's true and lawful agent and attorney-in-fact to act in the name, place, and stead of the undersigned with respect to (a) the submission to the management of Financial General Bankshares, Inc. ("FGB") of a proposal substantially to the effect described in Amendment No. 16 (dated Nov. 28, 1979) to my Schedule 13D for inclusion in FGB's proxy material relating to the 1980 Annual Meeting of FGB's shareholders or any other meeting of such shareholders, (b) the preparation and filing with the Securities and Exchange Commission of proxy material relating to such proposal or to any other proposal which I decide to present for action at any such meeting, including the nomination of persons to become directors of FGB, (c) the solicitation of FGB shareholders with respect to all such proposals and (d) any and all other action deemed by Mr. Altman to be necessary or appropriate to obtain the approval of the FGB shareholders of any proposals referred to above at any such meeting, giving and granting unto such agent and attorney-in-fact full power and authority to perform each and every act and thing whatsoever required and necessary to be done in and about the premises, as fully and to all intents and purposes, as the undersigned



- 2 -

might or could do if personally present. The undersigned hereby ratifies each and every action taken by Mr. Altman as the undersigned's attorney-in-fact with respect to any action taken by him in connection with such proposals or otherwise, which actions have been taken pursuant to the power of attorney heretofore granted by the undersigned to Mr. Altman. The authority granted to Mr. Altman herein shall be deemed to supplement the authority granted to him by such other power of attorney and shall not be deemed to limit such previously granted authority in any way.

IN WITNESS HEREOF, the undersigned has hereunto set his hand this 21st day of December, 1979.



---

Sheikh Ramal Adham

POWER OF ATTORNEY

Know all men by these presents that the undersigned has made constituted and appointed, and by these presents does hereby make, constitute and appoint, ROBERT A. ALTMAN, as the undersigned's true and lawful agent and Attorney-in-Fact to act in the name, place and stead of the undersigned with respect to (a) the submission by Kamal Adham to the Management of Financial General Bankshares, Inc. ("FGB") of a proposal substantially to the effect described in Amendment No. 16 (Dated Nov. 28, 1979) to Mr. Adham's Schedule 13D for inclusion in FGB's Proxy Material relating to the 1980 Annual Meeting of FGB's shareholders or any other meeting of such shareholders, (b) the preparation and filing with the Securities and Exchange Commission of Proxy Material relating to such proposal or to any other proposal which Mr. Adham decides to present for action at any such meeting, including the nomination of persons to become Directors of FGB, (c) the solicitation of FGB shareholders with respect to all such proposals and (d) any and all other action deemed by Mr. Altman to be necessary or appropriate to obtain the approval of the FGB shareholders of any proposal referred to above at any such meeting, giving and granting unto such agent and



Attorney-in-Fact full power and authority to perform each and every act and thing whatsoever required and necessary to be done in and about the premises, as fully and to all intents and purposes, as the undersigned might, or could do if personally present. The undersigned hereby ratifies each and every action taken by Mr. Altman as the undersigned's Attorney-in-Fact with respect to any action taken by him in connection with such proposals or otherwise, which actions have been taken pursuant to the power of attorney heretofore granted by the undersigned to Mr. Altman. The authority granted to Mr. Altman herein shall be deemed to supplement the authority granted to him by such other power of attorney and shall not be deemed to limit such previously granted authority in any way.

IN WITNESS HEREOF, the undersigned has hereunto set his hand as of the 12th day of March, 1980.



---

Faisal Saud al Fulaij

**INTEREDEC (GEORGIA) N.V.**  
**DE RUYTERKADE 62 • CURACAO, NETHERLANDS ANTILLES**

**RESOLUTION OF THE MANAGING BOARD  
OF  
INTEREDEC (GEORGIA) N.V.**

---

I, Farid Djouhri, a Managing Director of Interedec (Georgia) N.V., do hereby certify that the following Resolution was duly adopted by the Managing Board of this Company at a meeting duly called and held on March 24, 1986, at which a quorum was present and acting throughout :

**RESOLVED**, that the execution on behalf of this Company by Ghaith R. Pharaon, a Managing Director of this Company, of a Memorandum of Deposit (a copy of which is attached hereto), pursuant to which this Company has pledged its interest in 600 shares of NBG Financial Corporation in favour of Bank of Credit and Commerce International, is hereby ratified and confirmed.

I hereby further certify that the said Resolution has not been modified or amended and is still in full force and effect.

IN WITNESS WHEREOF, I have signed this certificate this 24th day of March 1986.



Farid Djouhri  
Managing Director



**BANK OF CREDIT AND COMMERCE INTERNATIONAL  
SOCIETE ANONYME LICENSED DEPOSIT TAKER**

**WHOSE PRINCIPAL PLACE OF BUSINESS IN THE U.K.  
IS AT  
100 LEADENHALL STREET, LONDON EC3A 3AD**

**Memorandum of Deposit**

**of Stocks and Shares**

**and other Marketable**

**Securities by one or**

**more than one**

**Depositor**

**When completed by a company refer  
first to Legal Department**

**Memorandum of Deposit of Stocks and Shares  
and other Marketable Securities by one or more than one Depositor**

**This Memorandum** is made the 1st day of January 1985

Between (1)

INTEREDEC (GEORGIA) N.V.

(hereinafter called "The Depositor") and (2) BANK OF CREDIT AND COMMERCE INTERNATIONAL SOCIETE ANONYME LICENSED DEPOSIT TAKER whose principal place of business in the U.K. is at 100 Leadenhall Street, London EC3A 3AD

(hereinafter called "BCC")

Whereby it is agreed and declared as follows:-

1. The Depositor hereby undertakes with BCC that the Depositor will on demand in writing made to the Depositor pay or discharge to BCC all moneys and liabilities which shall for the time being (and whether once or at any time after such demand) be due owing or incurred to BCC by the Depositor or for which the Depositor shall be liable whether actually or contingently and whether solely or jointly with any other person and whether as principal or surety including interest discount commission or other lawful charges and expenses which BCC may in the course of its business charge in respect of any of the matters aforesaid or for keeping the Depositor's account and so that interest shall be computed and compounded according to the usual mode of BCC and shall be at the rate of  $\frac{1}{2}$  per centum per annum above the base rate of BCC for the time being and from time to time in force with the minimum of  $\frac{1}{2}$  per centum as well after as before any demand made or judgment obtained hereunder and will on such demand also retire all bills or notes which may for the time being be under discount with BCC and to which the Depositor is a party whether as drawer acceptor maker or endorser without any deductions whatsoever.

If within 7 days after the date on which any payment which ought to be made to BCC by the Depositor under the terms of this Memorandum such payments have been made and the Depositor has paid the interest due

2. The Depositor hereby agrees that the stocks shares bonds debentures or other securities deposited with or transferred to BCC or trustees for or nominees of BCC and specified in the schedule hereto (hereinafter called "the Securities" which expression shall include any further securities referred to in clause 4 hereof) are so deposited or transferred to secure the payment or discharge of all moneys and liabilities hereby agreed to be paid or discharged by the Depositor.

3. The Securities are warranted by the Depositor to be within the Depositor's own disposition and control and to be free from any prior charge or encumbrance of any sort whatsoever.

4. If at any time any further or other securities (whether pursuant to clause 5 or clause 9 hereof or otherwise) shall be deposited or transferred by the Depositor to BCC or its trustees or nominees in substitution for or in addition to the securities specified in the schedule hereto such securities shall thereupon be deemed to be a part of the Securities for the purposes of this Memorandum and shall forthwith become subject to all the terms hereof and the warranties contained in clause 3 hereof shall be deemed to apply to such substituted or additional securities.

5. The Depositor hereby undertakes that any bonus stock or shares or stock or shares issued by way of rights or other new securities of any nature which may at any time during the currency of this Memorandum be issued in respect of any of the Securities shall be deposited with or transferred to BCC (as BCC may require) and shall thereupon become part of the Securities and all dividends and interest and all rights moneys or property accruing or offered at any time by way of redemption bonus preference option or otherwise in respect of the Securities shall be included in the charge hereby given.

6. A demand for payment or any other demand or notice under this security may be made or given by any manager or officer of BCC or of any branch thereof by letter addressed to the Depositor and sent by post to or left at the last known place of business or abode of the Depositor or at the option of BCC if the Depositor is a company its registered office and if sent by post shall be deemed to have been made or given at noon on the day following the day the letter was posted.

7. At any time after payment of the moneys hereby secured has been demanded or if the Depositor fails to perform any of his obligations under this Memorandum BCC may without notice to the Depositor sell the Securities or any of them at any time and in any way which BCC may deem expedient.

8. The Depositor shall not have any right or claim against BCC in respect of any loss arising out of such sale howsoever such loss may have been caused and whether or not a better price could or might have been obtained on the sale of the Securities or any of them by either deferring or advancing the date of such sale or otherwise howsoever.

9. The Depositor hereby undertakes that if at any time the amount of the moneys and liabilities as referred to in clause 1 hereof equals or exceeds<sup>a</sup> percent of the value of the securities the Depositor will on demand and at the option of BCC either:

- (a) deposit with or transfer to BCC or to trustees for or nominees of BCC (as BCC may require) additional securities approved by BCC to make up the required margin; or
- (b) pay to BCC such sum of money as shall be required to make up the required margin.

10. All costs charges and expenses incurred hereunder by BCC and all other moneys paid by BCC in perfecting or otherwise in connection with this security or in respect of the Securities including all costs of BCC of all proceedings for enforcement of the security hereby constituted or for obtaining payment of the moneys hereby secured (whether or not such costs charges expenses and moneys or part thereof would be allowable upon a party and party or solicitor and own client taxation by the Court) shall be recoverable from the Depositor as a debt and may be debited to any account of the Depositor and shall bear interest accordingly and shall be charged on the Securities and the charge hereby conferred shall be in addition and without prejudice to any and every other remedy lien or security which BCC may have or but for the said charge would have for the moneys hereby secured or any part thereof.

11. BCC shall be at liberty from time to time to give time for payment of any bills of exchange promissory notes or other securities which may have been discounted for or received on account from the Depositor by BCC or on which the Depositor shall or may be liable as drawer acceptor maker indorser or otherwise to any parties liable

12. This security shall be a continuing security to BCC notwithstanding any settlement of account or other matter or thing whatsoever and shall not prejudice or affect any other security which BCC may now or at any time hereafter hold in respect of the moneys hereby secured or any of them or any part thereof respectively.
13. The Depositor hereby undertakes on request by BCC to execute and sign from time to time all transfers powers of attorney and other documents which BCC may require for perfecting BCC's title to the Securities or any of them or vesting the same or any of them in a purchaser or in any trustee for or nominee of BCC or in connection with clause 5 hereof.
14. In respect of any transfers of any of the Securities which are not transferable exclusively by deed the Depositor hereby authorises BCC at any time to date any such transfer if the same be undated and if the same shall have been theretofore in blank to fill in any blanks in favour of BCC or any trustee for or nominee of BCC or any purchaser.
15. The Depositor hereby undertakes to pay duly and promptly all calls which may from time to time be made in respect of any unpaid moneys under any of the Securities and any other moneys which he may lawfully be required to pay in respect of any of the Securities and in the event of default BCC may if it thinks fit make such payments on behalf of the Depositor any money expended by BCC under this provision shall be deemed to be properly paid by BCC.
16. BCC shall not be under any liability to the Depositor in respect of any failure to present any interest coupon or bond or stock which may be called or drawn for repayment or redemption or for any failure to pay any call or instalment which may become payable on or to accept any offer relating to any of the Securities or for any failure to notify the Depositor of any of such matters whether or not any such failure is caused or contributed to by any negligence on the part of BCC or of any servant or agent of BCC.
17. BCC or its nominees may exercise at its discretion (in the name of the Depositor or otherwise at any time whether before or after any demand for payment hereunder and without any further consent or authority on the part of the Depositor) in respect of the Securities or any of them any voting rights as if BCC or its nominees were a sole beneficial owner thereof.
18. The restriction on the right of consolidating mortgage securities contained in Section 93 of the Law of Property Act 1925 shall not apply to this security.
19. In these presents where the context so admits the expression "the Depositor" shall include persons deriving title under the Depositor or entitled to redeem this security and the expression "BCC" shall include persons deriving title under BCC. It is further agreed that this Memorandum shall continue to bind the Depositor notwithstanding any amalgamation absorption or other transfer of assets that may be effected by BCC with, of or by, or to any other company or other corporation now or in the future in existence doing business in England whether incorporated in or outside the United Kingdom (hereinafter called the "new company") whether the new company shall or shall not differ in its name, objects, character or constitution from BCC, it being the intent that this Memorandum shall remain valid and effectual in all respects and for all purposes in favour of and with reference to the new company and may be proceeded on and enforced in the same manner as if the new company had been expressly named in and referred to herein instead of BCC AND insofar as any form of consent or any other act by the Depositor may be necessary to achieve the amalgamation absorption or other transfer of assets above described the Depositor hereby undertakes in consideration of banking services from time to time made available by BCC to the Depositor or at the Depositor's request to give forthwith on request any consent or to do any such act.
20. If there are two or more parties hereto of the first part the expression "the Depositor" shall throughout mean and include such two or more parties and each of them or (as the case may require) such two or more parties or any of them and shall so far as the context admits be construed as well in the plural as in the singular and all deposits transfer charges agreements and undertakings herein expressed or implied on the part of the Depositor shall be deemed to be joint and several deposits transfers charges agreements and undertakings by such parties And in particular this security and the undertaking in clause 1 hereof and the remaining deposits transfers charges agreements and undertakings herein contained shall extend and apply to any moneys owing or liabilities incurred by any of such parties to BCC whether solely or jointly with each other or with any other person and references to the Depositor in relation to the retirement of bills and in clauses 6, 7, 10 and 11 shall mean and include any one or more of such parties as well as such parties jointly.

21. This Memorandum shall be construed in accordance with and governed in all respects by English Law and the Depositor submits to the jurisdiction of the English Courts but this is without prejudice to BCC's right to commence proceedings in the Courts of any other competent jurisdiction.

In Witness whereof the Depositor has signed these presents or (in the case of a company) has caused these presents to be duly signed the day and year first above written.

### The Schedule

<i>Nominal Amount</i>	<i>Details of Security</i>
	<p>Certificate No. 6 for 600 shares of NBC Financial Corporation registered in the name of Interedec (Georgia) N.V.</p> <p>The pledge of the above securities is in consideration of various facilities that have been extended by you and your affiliated banks to the undersigned personally, as well as to companies owned and controlled by me.</p> <p> P. K. Narayan Managing Director Interedec (Georgia) N.V.</p>

Signed by the above named H.E. DR. CHAITH R. PHARAON  
MANAGING DIRECTOR - INTEREDEC (GEORGIA) N.V.

in the presence of \_\_\_\_\_

NAME \_\_\_\_\_

ADDRESS \_\_\_\_\_

OCCUPATION \_\_\_\_\_

  
P  
Pharaon

Signed by the above named \_\_\_\_\_

in the presence of \_\_\_\_\_

NAME \_\_\_\_\_

ADDRESS \_\_\_\_\_

OCCUPATION \_\_\_\_\_

Signed by \_\_\_\_\_

on behalf of \_\_\_\_\_

Limited  
pursuant to a Resolution of its Board of Directors a  
certified copy of which is annexed hereto in the presence of

NAME \_\_\_\_\_

ADDRESS \_\_\_\_\_

OCCUPATION \_\_\_\_\_

When completed by a company refer first to Legal Department.

**SELL****TO BANK OF CREDIT AND COMMERCE INTERNATIONAL****BRANCH****PLEASE INSTRUCT YOUR BROKERS TO SELL THE UNDERMENTIONED**

NOMINAL OR AMOUNT (£)	HOLDING	PRICE INDICATE • "LIMIT" OR "BEST"

\*WHERE A 'LIMIT' IS STIPULATED THIS ORDER WILL REMAIN IN FORCE FOR A PERIOD OF TWENTY-EIGHT DAYS FROM THE DATE HEREOF.

REGISTERED IN THE NAME(S) OF .....

AND CREDIT THE PROCEEDS TO ACCOUNT ..... No.

I/WE HEREBY DECLARE THAT I AM NOT IS NEITHER OF US IS IS ANYONE OF THE ABOVE NAMED RESIDENT OUTSIDE THE SCHEDULED TERRITORIES AND AM/ARE NOT HOLDING THE SECURITY AS THE NOMINEE OF ANY PERSON OUTSIDE THESE TERRITORIES.

CERTIFICATE(S)/ATTACHED/IN YOUR POSSESSION

SIGNED ..... 

DATE .....

ISSUE

1990-01-01

**TRANSFER  
FORM**

( Above this line for Registrars only)

**Certificate lodged with the Registrar****Consideration Money £.....**

(For completion by the Registrar/Stock Exchange)

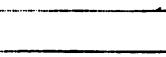
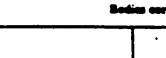
Name of Under-taking.		
Description of Security.		
Number or amount of Shares, Stocks or other security and, in Shares column, State whether and denomination of issue, if any.	Words	Figures (        units of        )
Name(s) of transferor(s) should be given full : the address should be given where there is only one holder.  If the transfer is not made by the registered holder(s) insert also the name(s) of intermediary (e.g., Exchange) through whom the person(s) making the transfer.	In the name(s) of	

I/We hereby transfer the above security out of the name(s) aforesaid to the person(s) named below or to the several persons named in Part 2 of Brokers Transfer Forms relating to the above security:

Stamp of Selling Broker(s) or, for transactions which not stock exchange transactions, of Agent(s), if acting for the Transferor(s)

Duly words in italic except for stock exchange transactions

Signature(s) of transferor(s)

1. 
2. 
3. 
4. 

Below corporate should execute under their common seal

Date \_\_\_\_\_

Full name(s) and full postal address(es), (including Country or, if applicable, Postal District number) of the person(s) to whom the security is transferred.

Please state title, if any, or whether Mr., Mrs. or Miss.

Please complete in typewriting or in Block Capitals.

Digitized by srujanika@gmail.com

Shares Sold

## **Shares Stock**

## **Shares: Stock**

### **Shares/Stock**

### **Shares/Stock**

### **Shares/Stock**

Shares. Stock

## **Shares/Stock**

### **Shares/Stock**

### **Shares/Stock**

### **Shares/Stock**

### **Shares/Stock**

**Shares/Stock**

### ...Shares/Stock

### Shares/Stock

### Shares/Stock

### .. Shares/Stock

**Balance (if any) due to Selling Broker(s)**

**Amount of Certificate(s)**

**Brokers Transfer Forms for above amounts certified**

*Stamp of certifying Stock Exchange*

**Stamp of Selling Broker(s)**

**FORM OF CERTIFICATE REQUIRED WHERE TRANSFER IS NOT LIABLE TO  
AD VALOREM STAMP DUTY**

**Implications of transfer fee liability to a fixed sum of Nkr 120m when the unsecured fails within one of the following scenarios:**

- Instrument of transfer and gifts to a fixed date of 10s. (10p) when the transfers fall within one of the following categories:**

  - (a) Transfer by will or settlement of an interest or right in the ownership of a new trust of a presentment, or on the reversion of a trustee.
  - (b) Transfer by will or settlement of an interest or right in the ownership of a trust.
  - (c) Transfer to a beneficiary under a will of residue legacy of stock, etc. (N.B.—Transfers by executors in discharge or partial discharge of a pecuniary legacy are chargeable with old residue duty on the amount of the legacy so discharged unless the will confers on the executors power to discharge the pecuniary legacy without the consent of the legatees.)
  - (d) Transfer to a person forming part of an intestate's estate to the person entitled to it, not being a transfer in satisfaction or part satisfaction (D) in England and Wales, or to the surviving spouse under the provisions of Section 8(1) (a) (iii), Section 8 (1) (b) or Section 9 (1) of the Succession (Scotland) Act 1964, as amended by the Succession (Scotland) Act 1973.
  - (e) Transfer to a residuary legacy of stock, etc., forming part of the residue divisible under a will.
  - (f) Transfer to a beneficiary under a will, settlement, or distribution of the trust funds, of stock, etc., forming the share or part of the share of those funds to which the beneficiary is entitled in accordance with the terms of the settlement.

(N.B.—Categories (e) and (f) do not include a transfer to a beneficiary under a will or settlement who takes not only by reason of being entitled under the will or settlement but also by reason of:

  - (i) following a purchase by him of some other interest in the trust property, e.g., a life interest or the interest of some other beneficiary; in such a case of reform transfer on sale duty is payable; or
  - (ii) where there is an element of gift *in rem* in the transaction in consequence of which a beneficiary under a will or settlement takes a share greater in value than his share under the will or settlement; in such a case old residue voluntary deduction duty is payable.)

(g) Transfer by will or settlement of an interest or right in the ownership of the personal effects of the deceased at the time of the marriage, or to be held on the terms of a duly stamped settlement made in contemplation of the marriage. (N.B.—A transfer made to the husband or wife after the date of the marriage is not within this category unless it is made pursuant to an ante-nuptial contract.)

(h) Transfer by the liquidator of a company of stock, etc., forming part of the assets of the company, to the persons who were shareholders, in satisfaction of their right to a winding up.

(\*) Transfer, not on sale and not under any contract of sale and where no beneficial interest in the property passes: (i) to a person who is a more nominee, or, and nominated only by, the transferor; (ii) from a more nominee who has at all times held the property on behalf of the transferor; (iii) from one nominee to another nominee of the same beneficial owner where the first nominee has at all times held the property on behalf of that beneficial owner. (N.B.—This category does not include transfer made in any of the following circumstances: (i) by a holder of stock, etc., following the grant of an option to purchase that stock, etc., to the person entitled to the option; (ii) by a holder of stock, etc., following the exercise of an option to purchase that stock, etc., to the person entitled to the option; (iii) from the nominee, or a vendor, who has restricted the transfer, or, again, or by some other arrangement, to hold stock, etc., in trust for a purchaser, i.e., *trustee-shareholder*).

(1) "I" or

(1) hereby certify that I  
within the category(ies) above.

(2) Insert "let",  
"to" or  
appropriate  
pronoun

wis

(3) Move out  
completely the  
facts concerning  
the transaction or  
cause failing which



# U.S. \$50,000,000 BCCI FINANCE N.V.

*(Incorporated with limited liability in the Netherlands Antilles)*

## Guaranteed Floating Rate Notes due 1990

Unconditionally and irrevocably guaranteed as to payment of principal and interest by

## BCCI HOLDINGS (LUXEMBOURG) S.A.

*(Incorporated as a Société Anonyme in the Grand Duchy of Luxembourg)  
(Régistre de Commerce, Luxembourg, No. 812810)*

The issue price of the Notes will be 100 per cent. of their principal amount.

The Notes mature in December 1990 and may be redeemed in whole or in part at the option of BCCI Finance N.V. on any Interest Payment Date falling in or after December 1986 at their principal amount. In addition, the Notes may be redeemed at their principal amount on any Interest Payment Date in the event that Netherlands Antilles or Luxembourg taxes are imposed on payments on the Notes, as described under "Description of the Notes - Redemption and Purchase".

Notes may be redeemed at their principal amount at the option of a holder thereof on any Interest Payment Date falling in or after December 1988 as described under "Description of the Notes - Redemption and Purchase".

Interest will be payable semi-annually in June and December and will (subject to a minimum rate 5 1/4 per cent. per annum) be at an annual rate of 1/4 per cent. above the London inter-bank offered rate for six months Eurodollar deposits as described under "Description of the Notes - Interest".

The Notes will be unsecured obligations of BCCI Finance N.V. The due payment of the principal and interest in respect of the Notes will be unconditionally and irrevocably guaranteed by BCCI Holdings (Luxembourg) S.A. as described under "Description of the Notes - Guarantee".

Principal of and interest on the Notes will be payable in Hong Kong, London and Luxembourg as described under "Description of the Notes - Payments". Such payments will be made without any deduction, or withholding, for or on account of Netherlands Antilles or Luxembourg taxes, as described under "Description of the Notes - Taxation".

Application has been made to list the Notes on the Luxembourg Stock Exchange.

The Notes will initially be represented by a temporary Global Note without interest coupons. The temporary Global Note will be delivered to Cedel S.A. for the account of the Managers as agents of the subscribers against payment to BCCI Finance N.V. on or about December 1, 1983. The temporary Global Note will be exchangeable for definitive Notes, with interest coupons, not earlier than 90 days following the completion of the distribution of the Notes, as determined by Bank of America International Limited, and after due certification of non-United States beneficial ownership.

Bank of America International Limited	London & Continental Bankers Limited
Abu Dhabi Investment Company	Arab Banking Corporation (ABC)
Bank of China	Banque Arabe et Internationale d'Investissement (B.A.I.I.)
Banque Nationale de Paris	Bayerische Vereinsbank Aktiengesellschaft
Credit Suisse First Boston Limited	First Chicago Limited
Kidder, Peabody International Limited	Kuwait International Investment Co. s.a.k.
Lehman Brothers Kuhn Loeb International, Inc.	Merrill Lynch Capital Markets
Orion Royal Bank Limited	Prudential-Bache Securities
	Sanwa Bank (Underwriters) Limited

**BCCI FINANCE N.V.****History and Business**

The Company, a wholly owned subsidiary of BCCI Holdings (Luxembourg) S.A., was incorporated with limited liability in the Netherlands Antilles on August 19, 1983. The registered and principal office of the Company is located at De Ruyterkade 62, Curaçao, Netherlands Antilles. The principal business of the Company is to assist in financing the international banking operations of the BCC Group. At the date of this Prospectus, the Company has not engaged in any activities other than those incidental to its formation and to the issue of the Notes.

**Board of Directors**

The Board of Directors of the Company consists of Curaçao Corporation Company N.V., Mr. J. D. van Oenen and Mr. S. A. Husain.

**Capitalisation**

The Company has an authorised share capital of \$100,000, consisting of 1,000 shares having a nominal value of \$100 per share, all of which have been issued and are fully paid. Pending the issue of the Notes, the Company has no outstanding loan capital or other indebtedness.

**The Report of the Auditors of the Company**

To: The Board of Directors of  
BCCI Finance N.V.

November 22, 1983

Gentlemen,

We report that BCCI Finance N.V. was incorporated on August 19, 1983. Since that date, the Company has not traded, no accounts have been prepared and no dividends have been declared or paid.

Yours faithfully,  
Ernst & Whitney Nederland

Koningin Julianaplein 10.  
2595 AA The Hague

**BCCI HOLDINGS (LUXEMBOURG) S.A.**

BCCI Holdings (Luxembourg) S.A. ("BCC") was incorporated in Luxembourg on December 13, 1974 for a period of 30 years (extendable by resolution of the shareholders) as a Société Anonyme, under the law of August 10, 1915 (as amended) and qualifies as a holding company under the law of July 31, 1929. Its registered office is at 39 Boulevard Royal, Luxembourg.

The main activity of BCC is to act as a holding company for investments in banks and finance companies without geographic limitation, and to finance or arrange the financing of the activities of its subsidiaries and affiliates. As a holding company, BCC does not engage in banking or other commercial activities.

**Board of Directors**

The Board of Directors of BCC consists of:

• Yves C. Lamarche	American	Chairman, Banque Arabe et Internationale d'Investissement
J. D. van Oenen	Dutch	Bank Executive
• Ghanim Faris Al-Mazrui	U.A.E.	Acting Chairman, Department of Private Affairs, HH The President of U.A.E. Director, Central Bank of U.A.E. General Secretary, Abu Dhabi Investment Authority. Vice Chairman, Arab International Bank, Cairo
Dr. Alfred Hartmann	Swiss	Vice Chairman, F. Hoffman La Roche & Co.
P. C. Twitchin	British	Bank Executive
Agha Hasan Abedi	Pakistani	President

**Shareholders**

As at June 30, 1983 the following shareholders held the issued share capital of BCC.

<u>Name of Shareholder</u>	<u>Amount</u>
HE Dr Ghazi Phares	15.00
HE Sheikh Khalid Bin Zaid Al Nahyan	12.05
Abu Dhabi Investment Authority	1.00
ICIC Foundation (see Note)	10.00
ICIC Staff Benefit Fund (see Note)	10.00
Mr Waleed Phares	7.34
HE Sheikh Kamal Adham	3.87
Mr Raud Khalid	3.44
Mr Mohammad M. Hammoud	3.38
Stock Holding Company S.A.	2.96
Mr Butti Bin Buttar	2.59
Mr Faisal Saud Al Falah	2.43
HE Sheikh Hamdan Bin Mohammed Al Nahyan	1.24
H.H. Prince Turki Bin Nasser Bin Abdul Aziz Al Saud	1.21
HE Sheikh Mansour Ben Rashid Al-Maktoum	0.91
Crescent Holding Company S.A.	0.88
Sheikh Ahmed Fahd Mabroh Al-Audah	0.88
Mr El Sayed El Sayed El Gohary	0.86
HE Sheikh Mubarak Bin Mohammed Al Nahyan	0.82
Shaf Corporation S.A.	0.71
HE Ali Sheraf	0.64
All Mohammed Ben Aqel Boamer and Sons	0.64
Abdullah Saeed Badar Al-Rewes and Sons	0.64
HE Sheikh Tahnoun Bin Mohammed Al Nahyan	0.64
Mr Saif Bin Darwesh Bin Ahmed	0.55
Sheikh Ali Abdulla Bugshan	0.53
George Town Funding Company Limited	0.49
H.H. Sheikh Zayed Bin Sultan Al Nahyan	0.47
Mr Mohammad Toufic Jadaan	0.40
Mr Jamal H. Jawa	0.35
HE Sheikh Khalifa Bin Salman Al Khalifa	0.34
Sheikh Salem Ahmed Bugshan	0.34
Mr Abdul Aziz Ahmed Darwesh Al Turki	0.32
Dr Mana Saeed Al Otaiba	0.27
HE Sheikh Kamal Sina	0.26
H.H. Sheikh Sultan Bin Mohammed Al Qasimi	0.18
HE Sheikh Faisal Bin Sultan Al Qasimi	0.17
Mr Ali Bin Ahmed Al Dahir	0.16
H.H. Prince Naif Bin Abdul Aziz Al Saud	0.15
Mr Harib Bin Sultan	0.09
Mr Nasser Mohammad Al-Nowais	0.05
Mr Abdulla Nasser Hawaisi	0.04
Mr S. M. Swetin Naqvi	0.03
Mr Khalid Sultan Al Katsby	0.01
Mr Obaid Bin Salih Al Nuaimy	0.01
Other Shareholders	0.77
Total	100.00

## Note:

The ICIC Foundation, incorporated and resident in the Cayman Islands, is a wholly-owned subsidiary of the ICIC Foundation which is a company incorporated in the United Kingdom and registered as a charity under English law. The latter is established for general charitable purposes under English law, but particularly to promote the relief of poverty and the advancement of education and religion.

The ICIC Staff Benefit Fund, incorporated and resident in the Cayman Islands, is a wholly owned subsidiary of the ICIC Staff Benefit Trust which is constituted and administered as a discretionary trust in the Cayman Islands for the benefit of employees and former employees of the BCC Group and their dependents.

The members of the Governing Board of the ICIC Foundation of the United Kingdom are also the Protectors of the ICIC Staff Benefit Trust and are Executives of the BCC Group.

**Development of Capital Structure**

Shareholders of BCC have played a significant investment role through the provision of subordinated loan capital, the subscription of rights issues and the retention of profits through the issue of stock dividends.

The following table outlines subordinated loan capital, rights issues and stock dividends in each of the years 1975 to 1982.

	<u>Subordinated Loan Capital</u>	<u>Rights Issues</u>			<u>Stock Dividends</u>
		<u>Nominal Value</u>	<u>Premium</u>	<u>(in thousands of dollars)</u>	
1975	1,500*	—	—	—	—
1976	6,600*	1,500	—	—	13,000
1977	30,000	10,000	15,000	—	10,000
1978	—	20,000	30,000	—	—
1979	—	15,000	22,500	—	5,000
1980	15,000	15,000	22,500	—	20,000
1981	—	25,000	75,000	—	42,500
1982	—	10,000	30,000	—	60,000
	<u>45,000</u>	<u>96,500</u>	<u>195,000</u>	—	<u>150,500</u>

\* Since redeemed.

## HISTORY

The BCC Group was originally conceived as an international banking organisation backed by Middle Eastern investors to provide commercial banking services world-wide, initially in the Middle East and in the United Kingdom. The first bank to be established was Bank of Credit and Commerce International S.A. ("BCCI") in Luxembourg in 1972 with one branch in each of Luxembourg, United Arab Emirates and the United Kingdom. Its initial paid-up capital of \$2.5 million was subscribed by Bank of America (25% later increased to 30%) and the balance by investors from the Middle East.

The original purpose of Bank of America's investment in BCCI was to gain access to the Middle East market. In due course Bank of America determined that its strategic interests in the area required a direct presence. At the same time, the BCC Group wished to undertake banking operations within the United States but was unable to do so whilst Bank of America retained its shareholding. Therefore, by mutual agreement, Bank of America divested its shareholding by June 1980.

Between 1972 and the end of 1974, the BCCI network was expanded in the Middle East and the United Kingdom through the addition of seven branches in the United Arab Emirates, one branch in the Sultanate of Oman and five branches in the United Kingdom. In 1973, a 35% interest was acquired in National Bank of Oman Limited (S.A.O.) in the Sultanate of Oman, which was subsequently reduced to 29%, and an 80% interest was acquired in Banque Chartouni, Lebanon, which was re-named Bank of Credit and Commerce International (Lebanon) S.A.L. and in 1977 became a wholly-owned subsidiary. In order to establish a presence in the Far East, BCCI Finance International Limited, a finance company, was established in Hong Kong in 1973.

In December 1974, the BCC Group was restructured with the establishment of BCCI Holdings (Luxembourg) S.A. which in 1975 acquired BCCI, its subsidiaries, Bank of Credit and Commerce International (Lebanon) S.A.L. and BCCI Finance International Limited, and its investment in National Bank of Oman Limited (S.A.O.).

The next period of expansion which occurred between 1975 and 1980 began with the establishment of Bank of Credit and Commerce International (Overseas) Limited ("Overseas") in the Cayman Islands. During this period, Overseas opened branches in Egypt, Sudan, Bangladesh, France, Kenya, Sierra Leone, South Korea, Pakistan, Gabon, Ivory Coast, Liberia, Sri Lanka, Togo and Senegal. Meanwhile, BCCI established branches in Mauritius, North Yemen, Jordan, West Germany, Sudan, Djibouti, Seychelles, Oman and Bahrain.

During the same period, the following companies were established or acquired: Kuwait International Finance Company S.A.K. (49%); BCCI Canada Inc (50%); Premier Bank Limited, Ghana (45%); Bank of Credit and Commerce International (Swaziland) Limited (55%); Bank of Credit and Commerce International (Nigeria) Limited (40%); Hong Kong Metropolitan Bank Limited (96%), since renamed Bank of Credit and Commerce Hong Kong Limited, and Credit and Finance Corporation Limited, the Cayman Islands (100%). In 1976 a 55% shareholding was acquired in Banque de Commerce et de Placements S.A. in Geneva which was increased to 70% in 1979. In 1983 this shareholding was reduced to 20% to comply with Swiss regulations relating to agreements of reciprocity between Switzerland and the places of residence of the shareholders of the BCC Group. Some re-alignments of branches were also made: branches of BCCI operating in the Sultanate of Oman were transferred to Overseas and branches of Overseas in Egypt were transferred to a new joint venture bank, Bank of Credit and Commerce (Misr) S.A.E. (49%), which was established with the participation of Egyptian investors.

From 1981 onwards, BCCI and Overseas opened branches in the Philippines, Panama, Jamaica, Macao, Cyprus, Turkey, Monaco, the Maldives, India, Barbados and the Bahamas. Agencies were also established in the states of California and Florida in the United States. A representative office of Overseas was opened in Beijing, People's Republic of China. The following subsidiaries and affiliates were also established: Bank of Credit and Commerce Zimbabwe Limited (53%), Bank of Credit and Commerce (Zambia) Limited (100%), Italfinance International S.p.A. (85%), Bank of Credit and Commerce Cameroon S.A. (65%), Bank of Credit and Commerce (Botswana) Limited (100%), BCCI Leasing (Malaysia) Sdn Bhd (49%), BCC Credit and Finance (Uruguay) S.A. (100%) and Bank of Credit and Commerce (Emirates) (40%) to which were transferred existing branches of Overseas in the United Arab Emirates.

During 1981, Bank of Credit and Commerce Canada was established as a wholly-owned subsidiary of BCCI, into which was merged BCCI Canada Inc.

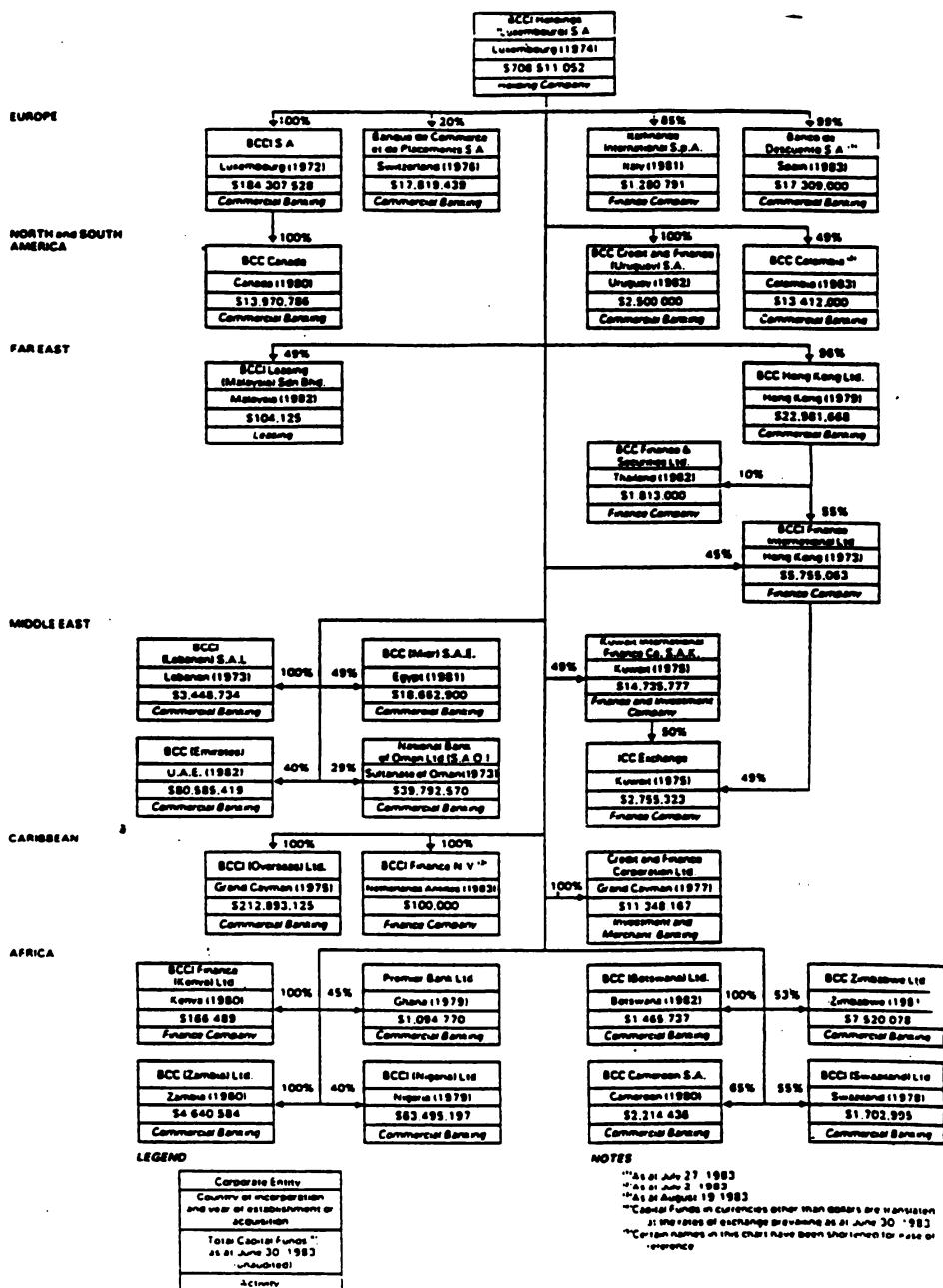
In 1983, interests were also acquired in the following two existing commercial banks: Banco Mercantil (49%) in Colombia, since renamed Banco de Credito y Comercio Colombia and Banco de Descuento S.A. (99%) in Spain. In October, BCCI was authorised to establish an agency in New York.

## STRUCTURE

The BCC Group and its non-consolidated affiliates presently consists of 28 operating companies which are set out in the organisation chart on the opposite page.

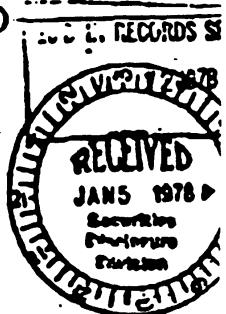
As at September 30, 1983 the branch, agency and representative office network of the BCC Group and its non-consolidated affiliates totalled 351 offices in 63 countries, of which 90 are in Europe including Frankfurt, Geneva, London, Luxembourg and Paris, 48 in North and South America including New York, 45 in the Far East and South East Asia including Hong Kong and Tokyo, 94 in the Middle East including Abu Dhabi, Bahrain, Dubai and Kuwait and 74 in Africa including Cairo.

S-  
JRC OF THE BCC GR.  
as at June 30, 1983



(1)

W C



COMPTROLLER OF THE CURRENCY  
WASHINGTON, D.C.

Form F-11 filed pursuant to  
Regulation 11.4 (g)(2)(i)

Person Filing:

CHAITH R. PHARAON

Name of Bank:

THE NATIONAL BANK OF GEORGIA

Notices with respect to this filing should be sent to:

Mr. Frank Van Court  
Vinson & Elkins  
2100 First City National Bank Building  
Houston, Texas 77002

**COMPTROLLER OF THE CURRENCY**  
**Form F-11**

---

**Statement to be filed pursuant to Regulation 11.4 (g)(2)(i)**

**Item 1 - Security and Bank**

This Statement relates to the capital stock par value \$5.00 ("Stock") of the National Bank of Georgia (the "Bank"), 34 Peachtree Street Northeast, Atlanta, Georgia 30303.

**Item 2 - Identity and Background**

a) Name and business address:

Ghaith Pharaon  
Saudi Research & Development Corporation  
P.O. Box 1935  
Jeddah, Saudi Arabia

b) Residence address and citizenship:

Ghaith Pharaon  
RUWEIS, Jeddah, Saudi Arabia

Citizen of the Kingdom of Saudi Arabia

c) Present Principal Occupation with address and type of business or occupation:

Pharaon is Chairman of the Board of Saudi Research & Development Corporation, Limited, ("REDEC"), P.O. Box 1935, Jeddah, Saudi Arabia. As Chairman, Pharaon functions as the equivalent of the Chief Executive officer of REDEC. REDEC was established in 1966 by Pharaon. It operates as a holding company with semi-autonomous operating divisions in the following areas: catering, commercial contracting and engineering, electro-mechanical, industrial and investment and maritime shipping.

d) Material Occupations:

Pharaon established REDEC after finishing Harvard Business School in 1965, and has been Chairman of the Board since that time. In addition, he has made several private investments in the United States and throughout the world.

- e) **Criminal Proceedings:** Pharaon, has not been convicted in criminal proceeding (excluding traffic violations or similar misdemeanors) during the last ten years.

**Item 3 - Source and Amount of Funds or Other Consideration**

The total consideration for the purchase of the 121,906 shares of Stock of the Bank on January 5, 1978, by Pharaon at \$20.00 per share is \$2,438,200. *gr* These funds were borrowed from Bank of Credit and Commerce International of London, England pursuant to a personal credit line of Pharaon with such bank. This credit line is unsecured and is reviewed annually. Funds borrowed pursuant to the line of credit bear interest at rates varying between 1-1/2 to 2 percent over the existing London Interbank Offering ("LIBO") rate. The \$2,438,200 will bear interest at 2% over the LIBO *gr* rate. Negotiations are currently underway for permanent financing for the entire transaction, including the proposed tender offer. If 60% of the Bank's Outstanding Stock is acquired, the total consideration would be approximately \$14,743,540.

**Item 4 - Purpose of Transaction**

The acquisition of the shares of Stock pursuant to the Stock Purchase Agreement between Pharaon and T. Bertram Lance ("Lance") executed on December 27, 1977 (the "Agreement") described in Item 6(a) was the initial transaction in a series of proposed transactions pursuant to which Pharaon, subject to the various conditions, including those set forth in such Agreement, intends to acquire 60% of the outstanding stock of the Bank. If 60% of the stock is acquired it will represent a controlling interest of the Bank. Pharaon presently has no plan or proposal to liquidate the Bank, sell its assets, merge it with another entity or to make any major change in its business or corporate structure. Pharaon intends to seek representation through his designees on the Board of Directors of the Bank. Such designees may from time to time, in their capacity as directors of the Bank, suggest business strategies or plans for the Bank's business and operations.

**Item 5 - Interests in Securities of the Bank**

Pursuant to the Agreement and on January 5, 1978, Pharaon acquired 121,906 shares of the Stock of the Bank. Such shares equal approximately 9.92% of the total number of shares of the Bank's Stock outstanding. Pursuant to the Agreement and

W

subject to certain conditions contained therein (Section 3.01 and 3.02 of such Agreement which contain such conditions, are incorporated herein by reference). Pharaon is obligated to offer to purchase from all shareholders of the Bank a total (including the 121,906 shares to be purchased on January 5, 1978) of 60% of the Bank's outstanding shares, such percentage equaling approximately 737,177 shares. In the event the tender offer is made, certain shareholders, pursuant to the Agreement described in Item 6(b) ("Shareholder Agreement"), have agreed to tender pursuant to the terms of such tender offer, an aggregate of 365,725 shares of the Bank's Stock. In addition, pursuant to the Agreement, in the event the tender offer is made and less than 100% of the outstanding shares are tendered pursuant thereto, Lance has agreed to sell to Pharaon and Pharaon has agreed to buy from Lance such additional number of shares, not to exceed 81,271 shares of Stock, as are necessary so that the percentage of the shares owned by Lance acquired by Pharaon is the same as the percentage acquired by Pharaon of the number of shares of Stock tendered by the shareholders tendering pursuant to the tender offer. Thus, pursuant to the Agreement and Shareholder Agreement, Pharaon has the right to acquire 568,902 shares of Stock of the Bank, such shares representing approximately 46.3 percent of the total number of outstanding shares of the Bank's Stock.

**Item 6 - Contracts, Arrangements, or Understandings with Respect to Securities of the Bank**

(a) The Stock Purchase Agreement. On December 27, 1977, Pharaon and Lance executed a Stock Purchase Agreement, a copy of which, without exhibits, is attached hereto as Exhibit A. Among other things, the Agreement provides:

- (i) Subject to certain conditions set forth therein, on January 5, 1978, Pharaon would acquire 121,906 shares of the Bank's Stock from Lance at a price of \$20.00 per share.
- (ii) Subject to certain conditions set forth therein, as soon as practical after Pharaon receives the audited financial statements of the Bank for the year ended December 31, 1977, but in no event later than March 15, 1978, Pharaon would make a tender offer to all shareholders of the Bank (except Lance). In such

(1)

(2)

w

tender offer, if made, Pharaon would invite all shareholders of the Bank (except Lance) to tender all of their shares of the Bank's Stock, and Pharaon would irrevocably offer to purchase pro rata from each tendering shareholder an amount of shares as would permit Pharaon to acquire (including the shares purchased from Lance) an aggregate of 60% of the Bank's outstanding Stock. The tender offer price is to be determined by Pharaon but will not be less than \$20.00 per share. Pharaon would also buy from Lance such number of shares up to 81,271 shares of the Bank's Stock as would permit Lance to sell to Pharaon the same percentage of his shares as Pharaon purchases from each shareholder who tenders all of his shares pursuant to the tender offer. The Agreement further provides that if insufficient shares are tendered pursuant to the tender offer and are available to be purchased from Lance to allow Pharaon to acquire 60% of the outstanding Stock but sufficient shares are tendered and available from Lance to allow Pharaon to acquire 51% of the outstanding Stock of the Bank, then Pharaon would purchase all of the shares owned by Lance and all of the shares tendered. In the event that insufficient shares are tendered pursuant to the tender offer and are available to be purchased from Lance to allow Pharaon to acquire 51 percent of the outstanding shares of the Bank's Stock, Pharaon will not buy any of the shares tendered or any additional shares from Lance.

(1) The Shareholder Agreement. Pursuant to an agreement entered as of December 27, 1977, between Pharaon and John Stembler ("Stembler"), Daniel Pattillo ("Pattillo") and Stephens, Inc. ("Stephens"), Stembler, Pattillo and Stephens agreed that in the event the tender offer is made by March 15, 1978, they would tender pursuant thereto an aggregate of 365,725 shares of the Bank's Stock.

Item 7 - Persons Retained, Employed or to be Compensated

Pursuant to a letter agreement dated December 27, 1977, Pharaon agreed to employ Stephens Inc., an

( ) - ✓

Arkansas corporation, and Stephens Inc. agreed to accept employment as Dealer Manager and Information Agent if the tender offer is made. Pursuant to such letter agreement, Stephens Inc., as Dealer Manager, is to solicit, via the Letter of Tender and related documents which are to be prepared jointly by Stephens Inc. and counsel for Pharaon and by such other methods as Stephens deems practical, the tender of shares from any and all shareholders of the Bank. For its services, Stephens Inc. is to receive a fee of \$75,000 contingent on the successful completion of the tender offer. Stephens Inc. is to be responsible for its own expenses and legal fees. Pharaon is to be responsible for filing fees, printing and mailing costs, concessions to dealers where Stephens Inc. must offer through a registered broker-dealer, and for Pharaon's legal fees.

Item 8 - Material to be Filed as Exhibits

No requests or invitations for tenders or advertisements have yet been prepared or made. No additional material soliciting tenders have been prepared at this time. No recommendations or solicitations to the holders of the Bank's Stock have been prepared or made at this time. A copy of the Stock Purchase Agreement between Pharaon and Lance has been attached hereto as Exhibit "A".

SIGNATURE

I certify that to the best of my knowledge and belief the information set forth in this statement is true, complete and correct.

Jan 5, 1978  
Date

Frank W. Lince  
Signature  
Attn: m/jd  
Gwinnett R. Pharaon

( )  
Exhibit "A" of Form F-11 of Ghaith Pharaon

JAN 12 1978

W

### STOCK PURCHASE AGREEMENT

This STOCK PURCHASE AGREEMENT (hereinafter referred to as the "Agreement") is entered into effective as of December 27, 1977, by and among GHAITH R. PHARAON (hereinafter referred to as "Purchaser" and T. BERTRAM LANCE, by and on behalf of himself and those listed on Schedule A (hereinafter referred to as "Seller") with respect to certain shares of the capital stock of the National Bank of Georgia Atlanta, Georgia (the "Bank");

WHEREAS, Purchaser desires to purchase and Seller desires to sell certain shares of the capital stock of the Bank owned by the S. (the "Stock").

NOW, THEREFORE, for and in consideration of the premises and of the mutual agreements, provisions and covenants herein contained, and the mutual benefits to be derived therefrom, the parties hereto covenant and agree as follows:

1. Representations and Warranties of the Seller.

The Seller represents and warrants as follows:

Section 1.01. Title to Shares. Seller represents and warrants to, and agrees with, the Purchaser that Seller and those persons listed on Schedule A will be on each of the respective Closing Dates (the Initial Closing Date and the Second Closing Date as hereinafter defined) the record and beneficial owner of the number of duly authorized, issued, outstanding, fully paid and nonassessable shares of Stock to be sold by Seller hereunder on each Closing Date free and clear of all security interests, claims, liens, encumbrances, pledges, options, charges and assessments, with the full right, power and authority to enter into this Agreement and to sell, assign, transfer and deliver the shares of Stock to be sold by the Seller hereunder on such Closing Date and that, upon delivery of and payment for such Stock hereunder, the Purchaser will acquire good and marketable title to the shares of stock to be sold by the Seller.

Section 1.02. Validity of Agreement. Neither the execution and delivery of this Agreement nor the consummation of the transactions herein contemplated will conflict with, result in the breach or constitute a default under or accelerate the performance provided by the terms of any law, or any rule or regulation of any governmental agency or authority or any judgment, order or decree of any court or other governmental agency to which the Seller is bound or committed or the

( ) ) IV

**Articles of Association or Bylaws of the Bank, or constitute an event which, with the lapse of time or action by a third party, could result in the default under any of the foregoing or result in the creation of any lien, charge or encumbrance upon any of the stock transferred hereunder.**

**Section 1.03. Agreements Between Bank and Seller.** Except as set forth in the letter of even date herewith from Seller to Purchaser (the "Disclosure Letter"), the Seller has not during the period from December 31, 1976 to the date of this Agreement been a party (other than as a depositor) to any transaction with the Bank, whether as a borrower or otherwise and whether or not in the ordinary course of business, and, the Bank does not now have any commitment, whether written or oral, to lend any funds to any such person.

**Section 1.04. Other Proceedings.** Seller has set forth in the Disclosure Letter a brief description of all suits, investigations or proceedings before any court or any state or federal governmental commission, board, bureau or other administrative agency threatened or pending against or affecting the Bank or the Seller with regard to the Bank or the stock of which he has knowledge. Except as set forth in the disclosure letter, Seller knows of no suits, investigations or proceedings before any court or any state or federal governmental commission, board, bureau, or other administrative agency threatened or pending against or affecting the Bank or the Seller which, if adversely determined, would either separately or in the aggregate have a material adverse effect on the financial condition of the Bank or materially adversely affect the value or salability of the shares of Stock to be sold hereunder.

**Section 1.05.** Seller represents, warrants and agrees that the number of shares sold by Seller hereunder represents sixty percent (60%) of the total number of shares of the Bank's capital stock owned directly or beneficially by Seller.

**Section 1.06.** Attached hereto and incorporated herein is a copy of the Warranty Agreement dated December 27, 1977, by and between the National Bank of Georgia and the Purchaser. Seller warrants and represents that he is aware of no fact or circumstance which would make any part of such Warranty Agreement untrue or materially misleading.

## **2. Purchase, Sale and Delivery of Stock.**

**Section 2.01. Closing Date.** On January 5, 1978 (the "Initial Closing Date"), subject to the terms and conditions set forth in this Agreement, Seller agrees, to sell to Purchaser, and Purchaser

( )

W

agrees to buy from Seller, at the Purchase Price of Twenty Dollars (\$20.00) per share of capital stock, par value \$5.00 (the "Purchase Price"), 121,906 shares of capital stock of the Bank.

Section 2.02. Time, Place, and Manner of Closing. The time of the Closing on the Initial Closing Date shall be 2:00 o'clock p.m. and the place shall be in the offices of Clifford, Glass, McIlwain & Pinney, Washington, D. C., or such other time or place as the Purchaser and Seller may hereafter approve. At the Closing, Seller shall deliver to Purchaser certificates representing the shares to be sold by Seller at the Closing in negotiable form (duly endorsed in blank) and in proper form for transfer. Purchaser shall deliver at the Closing to the Seller a certified or cashier's check payable to the order of the Seller in an amount equal to the Purchase Price times the number of shares of stock being sold by the Seller at the Closing.

Section 2.03. Tender Offer. Subject to the consummation of the transactions contemplated herein to occur on the Closing Date and to the satisfaction of the conditions to Purchaser's obligations set forth in Article 3, as soon as practicable after the audited financial statements of the Bank for the year 1977 shall have been delivered to the Purchaser as provided in Section 3.02(w), but in no event later than March 15, 1978, the Purchaser agrees to make a tender offer as described in this Section 2.03 to all existing shareholders of the Bank except for the Seller hereunder. Such tender offer shall invite all shareholders of the Bank (except for the Seller) to tender all of their shares of capital stock of the Bank. Such tender offer, the Purchaser shall irrevocably offer to purchase pro rata from each tendering shareholder an amount as will permit the Purchaser to acquire in the aggregate (including the shares of Stock sold to Purchaser by the Seller hereunder on the Closing Date) 60% of outstanding capital stock of the Bank upon consummation of the tender offer. For a period to and including the time of the Second Closing Date (as hereinafter defined), Seller agrees to sell to Purchaser any number of shares of Stock up to the total number of shares of Stock owned by Seller as of the date hereof less the number of shares of Stock sold to Purchaser pursuant hereto, at the purchase price of \$20.00 per share of capital stock par value \$5.00. The Purchaser shall buy such number of shares from Seller at the Purchase Price or the Tender Offer Price (hereinafter defined) whichever is higher as will permit Purchaser to acquire in the aggregate (including the shares acquired pursuant to the tender offer and the shares acquired from the Seller on the Initial Closing Date and the Second Closing Date) 60% of the outstanding capital stock of the Bank and will also permit the percentage that the number of shares acquired from the Seller (including those acquired on the Initial Closing Date and the Second Closing Date) is of the total shares owned by Seller as of the date hereof to be the same percentage that the shares purchased from each tendering shareholder is of the shares tendered by each tendering shareholder. Such sale and purchase shall be consummated

( )

(w)

as soon as practicable and in no event more than 30 days, after all of the shares purchased pursuant to the tender offer have been paid for in cash by the Purchaser. The date of such consummation of such sale and purchase is herein referred to as the "Second Closing Date."

Provided, however, that if insufficient shares are tendered by the tendering shareholders and are available to be acquired from the Seller pursuant to this Section 2.03 to permit Purchaser to acquire 60% of the outstanding capital stock of the Bank (including the shares purchased and to be purchased from Seller), but sufficient shares are tendered to permit Purchaser to acquire (including the shares purchased and to be purchased from the Seller) 51% or more of the outstanding capital stock of the Bank, then Purchaser shall purchase all shares tendered and the total shares owned by Seller. Provided further, however, that if the number of shares tendered pursuant to the tender offer together with the total shares owned by the Seller as of the date hereof does not equal 51% of the outstanding capital stock of the Bank, the Purchaser shall not purchase any shares of capital stock of the Bank pursuant to the tender offer and shall not be obligated to purchase any shares from the Seller on the Second Closing Date.

The purchase price per share of capital stock of the Bank, par value \$5.00 per share, pursuant to the tender offer (the "Tender Offer Price") shall be determined by the Purchaser, but shall not be less than \$20.00 per share of capital stock par value \$5.00.

The tender offer may contain all provisions necessary to comply with applicable law and such other provisions not inconsistent herewith as Purchaser may desire.

### 3. Conditions to Obligations of Purchaser.

Section 3.01. Conditions to Purchaser's Obligations. The obligation of the Purchaser to purchase and pay for the shares of Stock to be sold hereunder on the Initial Closing Date and to make the tender offer contemplated in Section 2.03 hereof and to purchase shares tendered pursuant thereto or from the Seller pursuant to Section 2.03 will be subject to the accuracy of the representations and warranties contained in Article 1 herein as of the date hereof and as of the date of the applicable obligation of Purchaser and to the fulfillment at or prior to the date of applicable obligation of Purchaser of each of the following conditions (unless expressly waived in writing by Purchaser at any time prior to the applicable date):

- (a) Purchaser shall have received all necessary approvals or exemptions and shall have filed all notifications, if any, considered necessary by Purchaser for the transactions contemplated by this Agreement from the appropriate state and federal authorities, and such approvals and the transactions contemplated hereby, including the tender offer contemplated by Section 2.03 hereof, shall not have been contested by any third party in a formal proceeding seeking injunctive relief (which, if successful, would prevent the aggregate number of shares being transferred hereunder and pursuant to the tender offer from equaling sixty percent of the total number of outstanding shares of the Bank) or damages in excess of \$50,000, provided, however, the Purchaser is under no obligation, express or implied, to provide any specific type, form or quantity of information that may be requested or required by any appropriate authority in order to secure the necessary approvals or to file any necessary notifications for the transactions contemplated hereby;
- (b) The Bank shall not have applied to any tribunal for the appointment of a trustee, conservator or receiver of any substantial part of the assets of the Bank, or commenced any proceedings relating to the Bank under any receivership, conservatorship, bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution, liquidation or other similar law of any jurisdiction, and no such application shall have been filed, or any such proceedings commenced against the Bank;
- (c) Except for those matters contained in the disclosure letter and the Warranty Agreements (including the schedules attached thereto), on the applicable date, there shall not be any litigation, investigation, proceeding or inquiry pending or threatened in or by any court or governmental agency or authority which might (i) result in an action to restrain, enjoin or prohibit the consummation of the transactions contemplated by this Agreement, (ii) result in divestiture, recession or damages in connection with such transaction, (iii) materially adversely affect the value or salability of the shares of Stock to be transferred hereunder, or involving any of the assets, properties, business or operations of the Bank which might result in any material adverse change in the financial condition, results of operations, business or prospects of the Bank;

- (d) The representations and warranties contained in Article 1 of this Agreement, shall be true as of the date of this Agreement and shall be made again as of the Closing Date, and shall be at that time true in all material respects and the Seller shall have performed or complied with or caused all covenants and conditions required by this Agreement to be performed or complied with by him prior to or at the closing;
- (e) The Purchaser shall have received the written Agreement of Mr. John Stembler, Mr. Daniel Patillo and Stevens, Inc. to tender 100% of the shares of the Bank's capital stock owned by them pursuant to the Tender Offer contemplated by Section 2.03 hereof.

Section 3.02. Additional Conditions to Purchaser's Obligation to Make Tender Offer. In addition to the conditions on Purchaser's obligations set forth in Section 3.01 hereof, Purchaser's Obligation to (i) commence the tender offer contemplated by Section 2.03 and (ii) consummate such tender offer shall be subject to the following conditions (unless expressly waived in writing by the Purchaser at any time prior to the applicable date):

- (v) Purchaser shall have acquired from Seller good and marketable title to the shares of Stock sold pursuant to this Agreement.
- (w) Purchaser shall have received from the Bank a copy of the audited balance sheet of the Bank as of December 31, 1977 (the "1977 Statement of Condition") and the related audited statements of income, capital accounts and changes of financial position for the fiscal year then ended together with the related notes thereto, all as examined by Arthur Andersen & Company, independent public accountants. The reports of such independent public accountants shall express the opinion in effect that such statements fairly present the financial position of the Bank as of the date thereof and the results of its operations for the period then ended in conformity with generally accepted accounting principles applied on a consistent basis and such statements and opinion shall not be subject to any material qualification.
- (x) Purchaser shall be satisfied with the financial condition of the Bank as reflected by such audited statements.

- (y) Purchaser shall have received from an appropriate office of the Bank a written statement to the effect that (i) such financial statements do not, as of the date thereof include any asset or omit to state any liability, absolute or contingent, or other fact, the inclusion or omission of which renders such financial statements, in light of circumstances under which they were made materially misleading, and (ii) since December 31, 1977, there has been any material change in the financial position, results of operations, business or prospects of the Bank other than changes in the ordinary course of business, none of which individually or in the aggregate has been materially adverse, or any other event or condition of a character which has materially or adversely affected the financial condition, results of operations, business or prospects of the Bank.
- (z) The Board of Directors of the Bank shall have passed appropriate resolutions approving the terms of the proposed tender offer and recommending its acceptance by the shareholders of the Bank, which resolutions shall not have been amended and shall be in full force and effect.

It is understood that the Tender Offer contemplated by Section 2. hereof may contain additional conditions to the obligations of the Purchaser thereunder.

#### 4. Representation and Warranty of the Purchaser.

Section 4.01. Purchaser represents, warrants and agrees that not a "company" as such term is defined in the Bank Holding Company of 1956 as amended.

#### 5. General Provisions.

Section 5.01. The terms of this Agreement shall be binding upon the Purchaser, the Seller and their respective heirs, executors, successors and assigns.

Section 5.02. The representations, warranties and agreements contained herein shall survive the Closing Dates and shall continue in full force and effect, notwithstanding any investigation by a party hereto. All representations and warranties by the Seller and Purchaser are deemed null and void on December 27, 1978, and neither Seller nor Purchaser shall be entitled to assert reliance thereon at that date.

Section 5.03. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same Agreement.

Section 5.04. All notices, requests, demands and other communications hereunder shall be in writing and shall be deemed to have been duly given if delivered by hand and receipted for by the party to whom said notices, requests, demands and other communications shall have been directed or mailed by registered or certified mail with postage prepaid

(i) if to Purchaser to:

Ghaith R. Pharaon  
c/o Frank Van Court  
2100 First City National Bank Building  
Houston, Texas 77002

(ii) if to Seller to:

T. Bertram Lance  
c/o Robert A. Altman  
815 Connecticut Avenue  
Washington, D. C. 20006

Section 5.05. In the event the Bank declares, or there occurs a stock dividend, stock split, spin-off, or other change in the capitalization of the Bank, the Purchase Price, the Tender Offer Price, and the number of shares of stock covered hereby shall be equitably adjusted to give account thereto.

Section 5.06. This Agreement constitutes the entire agreement between the parties pertaining to the subject matter hereof and supersedes all prior agreements of the parties.

IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be duly executed, all as of the day and year first above written.

PURCHASER

Ghaith R. Pharaon

SELLER

T. Bertram Lance

*Credit and Commerce American Holdings, 1986 -  
Pietermaai 6, Willemstad  
Curacao, Netherlands Antilles*

December 18, 1986

Bank of Credit and Commerce  
International S.A.  
100 Leadenhall Street  
London, England EC3A 3AD

Dear Sirs:

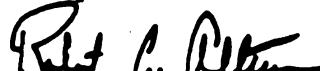
We are aware that the Bank of Credit and Commerce International S.A. (BCCI S.A.) extends certain credit facilities to Dr. Ghaith R. Pharaon and/or entities owned by him under a Memorandum of Deposit dated January 1, 1985, and that 600 shares of NBG Financial Corporation have been pledged to BCCI S.A. to secure such facilities.

Pursuant to an Option Agreement and Pledge Agreement, both dated as of December 18, 1986, an Option Fee in the amount of U.S. \$80,000,000.00 paid to Interedec (Georgia) N.V., a company owned by Dr. Pharaon, is similarly secured by a pledge of the shares of NBG Financial Corporation.

By this letter we acknowledge and consent to the pledge to BCCI S.A. of NBG Financial Corporation shares under the Memorandum of Deposit. This consent is expressly conditioned on the understanding and agreement between CCAH and BCCI S.A. that after this date the indebtedness by Dr. Pharaon and/or his entities to BCCI S.A. or any of its affiliates under the Memorandum of Deposit shall at no time exceed U.S. \$140,000,000.00, and no consent by CCAH to any lien or secured interest by BCCI S.A. in the shares of NBG Financial Corporation is approved to the extent such lien or secured interest exceeds U.S. \$140,000,000.00.

This letter shall constitute our consent in accordance with section 10(d) of the Option Agreement and section 3(iii) of the Pledge Agreement noted above.

Sincerely,

By   
Robert A. Altman  
 Managing Director and Secretary

cc: Interedec (Georgia) N.V.  
 Dr. Ghaith R. Pharaon

LOAN AGREEMENT

Dated as of 29<sup>th</sup> January, 1987

between

DR. GHAITH R. PHARAON

and

BANK OF CREDIT AND COMMERCE INTERNATIONAL (OVERSEAS) LIMITED

---

LOAN AGREEMENT

LOAN AGREEMENT dated as of 29<sup>th</sup> January, 1987 between DR. GHAITH R. PHARAON, of P.O. Box 1935, Jeddah, Saudi Arabia, a citizen and resident of the Kingdom of Saudi Arabia (the "Borrower"), and BANK OF CREDIT AND COMMERCE INTERNATIONAL (OVERSEAS) LIMITED (the "Bank"), a banking company incorporated in the Cayman Islands and having its registered office at Guinness Mahon Building, P. O. Box 1359, George Town, Grand Cayman, Cayman Islands.

The Borrower desires to borrow the principal amount of up to U.S. \$140,000,000.00 (United States Dollars One Hundred and Forty Million) from the Bank and the Bank is prepared to lend such amount upon the terms and conditions hereof.

Accordingly, the parties hereto agree as follows:

**Section 1. Definitions.**

References to 'Bank' shall where the context so admits include the Loaning Institutions (as defined hereinafter).

References to 'Borrower' shall where the context so admits include any entity or entities designated by the Borrower pursuant to Section 2.

"Applicable Lending Office" shall mean any branch of the Bank or of any affiliate or subsidiary of the Bank as the Bank may from time to time specify to the Borrower as the office at which the Loan is to be maintained.

"Business Day" shall mean any day on which commercial banks are not authorized or required to close in London, England, or the Applicable Lending Office or offices where the Loan may be availed of and which is also a day on which dealings in Dollar deposits are carried out in the London interbank market.

"Default" shall mean any Event of Default, or any event or condition specified in clauses (a) through (h) of Section 8 hereof, without giving effect to any provisions therein for the giving of notice or lapse of time.

"Dividend Payment" shall mean any dividends (whether in cash or other property) on, or other payments or distributions on account of, any shares of any capital stock of Interedec (Ltd.), but excluding dividends payable solely in shares of capital stock of Interedec (Ltd.) or rights (including warrants and options) convertible or exercisable solely into shares of capital stock of such company.

"Dollars" and "\$" shall mean lawful money of the United States of America.

"Event of Default" shall mean any event or condition specified in clauses (a) through (h) of Section 8 hereof.

"Interedec (Ltd.)" shall mean Interedec (Georgia) Limited, a Bahamas corporation.

"Interedec (N.V.)" shall mean Interedec (Georgia) N.V., a Netherlands Antilles corporation.

"Interest Period" shall mean the period commencing on the date the Loan is made and ending on the numerically corresponding day in the sixth calendar month thereafter, and each subsequent period commencing on the last day of any such prior period and ending on the numerically corresponding day in the sixth calendar month thereafter, except that each such period that commences on the last Business Day of a calendar month (or on any day for which there is no numerically corresponding day in the sixth calendar month thereafter) shall end on the last Business Day of the sixth calendar month thereafter. Notwithstanding the foregoing: (i) if any Interest Period would otherwise commence prior to and end after the Maturity Date, such Interest Period shall end on such Date, but in no event shall such Interest Period have a duration of less than one month; and (ii) each Interest Period that would otherwise end on a day which is not a Business Day shall end on the next succeeding Business Day (or, if such next succeeding Business Day falls in the next succeeding calendar month, on the next preceding Business Day).

J  
S

"LIBOR" shall mean for any Interest Period the rate per annum (rounded upwards if necessary, to the next 1/16 of one percent) quoted by the Bank at approximately 11:00 a.m. London time (or as soon thereafter as practicable) two Business Days prior to the first day of such Interest Period for the offering by the Bank to leading banks in the London interbank market of Dollar deposits having a term comparable to such Interest Period and in an amount comparable to the principal amount of the Loan scheduled to be outstanding during such Interest Period.

"Lien" shall mean any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including any agreement to give any of the foregoing, any conditional sale or other title retention agreement, and the filing of or agreement to give any financing statement or other similar form of public notice under the laws of any jurisdiction).

"Loan" shall mean the loan or loans made to the Borrower or an entity or entities designated by him pursuant to Section 2 hereof by the Bank through itself or any of its branches or arranged by the Bank through any of its affiliated, associated or subsidiary banks (hereinafter called the Loaning Institutions).

"Loan Documents" shall mean this Loan Agreement, the Pledge Agreement, and the Note each as in effect at any time.

"Maturity Date" shall mean the earlier of June 20, 1989, or the date on which the Option is exercised.

"Note" shall mean the promissory note(s) provided for in Section 2 hereof, in substantially the form of Exhibit A hereto, and any note or notes issued in exchange or substitution therefor.

"Option Agreement" shall mean that agreement dated as of 1<sup>st</sup> December 1986 pursuant to which Dr. Pharaon and Interedec (N.V.) have granted Credit and Commerce American Holdings N.V. ("CCAH") an option (the "Option") to acquire all the shares of NBC Financial Corporation ("NBC Financial"), a registered U.S. bank holding company, the

principal subsidiary of which is the National Bank of Georgia ("N.B.C."), and secured by a Pledge Agreement, dated as of 18<sup>th</sup> December 1986, from Dr. Pharaon, Interedec (Ltd.), Interedec (N.V.), and N.B.C. Financial in favour of CCAH (the "CCAH Pledge").

"Pledge Agreement" shall mean an agreement executed and delivered by the Borrower, Interedec (Ltd.) and Interedec (N.V.) and N.B.C. Financial substantially in the form of Exhibit B hereto.

"Post Default Rate" shall mean, in respect of any principal of the Loan or any other amount payable by the Borrower under this Agreement or the Note that is not paid when due (whether at stated maturity, by acceleration or otherwise), a rate per annum during the period commencing on the due date until such amount is paid in full equal to 2% above the interest rate then in effect in respect of the principal of the Loan.

"Regulatory Change" shall mean any change after the date of this Agreement in laws or regulations of any applicable jurisdiction or the adoption or making after such date of any interpretations, directives or requests applying to a class of banks including the Bank of or under any laws or regulations (whether or not having the force of law) by any court or governmental or monetary authority charged with the interpretation or administration thereof.

"Taxes" shall mean all present and future income, stamp and other taxes, levies, costs, imposts, deductions, withholdings and charges whatsoever imposed, assessed, levied or collected by any government of any jurisdiction or any political subdivision or taxing authority of any thereof or therein (together with interest thereon and penalties, fines and surcharges with respect thereto) on or in respect of any of the Loan Documents or the Loan or under or in respect of any other formalization of any thereof and any payments of principal, interest or other amounts made on or in respect of any thereof.

SECTION 2      The Loan.2.01 Loan.

On the terms and conditions hereof, the Bank hereby agrees to extend to the Borrower or an entity or entities to be designated in writing by the Borrower, from time to time, on or before the Maturity Date, the Loan, which shall not exceed the aggregate principal amount at any time outstanding \$140,000,000.00. Advances will be made from time to time under the Loan on a revolving basis upon Borrower's written request therefor, made at least three (3) Business Days in advance.

The Borrower from time to time may borrow, repay principal borrowed or reborrow principal up to a principal amount of \$140,000,000.00 on or before the Maturity Date.

Where any loan or loans are made to an entity or entities designated by the Borrower as above, it is clarified and agreed by the Borrower that such loan or loans shall constitute at all times his primary obligations to repay if any entity or entities fails to repay any loan or loans to the Bank.

The Borrower's obligations shall not be waived, discharged or affected in any manner by any time or indulgence allowed to any entity or entities designated as aforesaid or by any change in their constitution or by discharge by operation of law or otherwise howsoever.

The Bank shall have the right to arrange for or transfer the Loan or any part or parts thereof to any one or more of the Loaning Institution(s) and in that case the pledge of the Collateral (as defined in the Pledge Agreement) pursuant to the Pledge Agreement shall accrue to and inure for the benefit of the Loaning Institution(s). The Loaning Institution(s) shall have all the rights and remedies of the Bank as if they were a party to the Pledge Agreement including the right to the Collateral proportionate to any loan or loans arranged by the Bank to be extended by them to any entity or entities.

**2.02 Note.**

The Loan shall be evidenced by one or more promissory note(s) of the Borrower, and/or the entity or entities designated by him under 2.01 above to which the Loan may be allowed in the form of Exhibit 'A' hereto (mutatis mutandis in case of the designated entity or entities) dated the Closing Date, payable to the Order of the Bank in the principal amount of \$140,000,000 and otherwise duly completed.

**2.03 Interest.**

(a) Subject to Sections 2.03(b) and 5.03 hereof, the Borrower shall pay interest on the last day of each Interest Period on the unpaid principal balance of the Loan in respect of each Interest Period at a rate per annum at all times equal to 1% plus LIBOR for such Interest Period.

(b) Any amount of principal not paid when due hereunder shall accrue interest at the Post-Default Rate until paid in full.

**2.04 Principal.**

The entire unpaid principal balance of the Loan shall be due in full on the Maturity Date.

**SECTION 3. Prepayments.**

(a) The Borrower shall have the right to prepay without penalty the Loan in whole or part on the last day of any Interest Period, subject to this Section 3.

(b) Each prepayment shall be pursuant to a notice from the Borrower to the Bank, which notice shall specify the principal amount to be prepaid and the date of prepayment (which shall be a Business Day), shall be irrevocable and be effective only if received by the Bank not later than 12:00 p.m. London time two Business Days prior to the proposed prepayment date.

(c) Each prepayment shall be accompanied by the payment of all interest accrued on the principal so prepaid to the date of such prepayment.

**SECTION 4. Payments; Computations; Etc.**

**4.01 Payments.** All payments of principal, interest and other amounts to be made by the Borrower under this Agreement or the Note shall be made, in immediately available funds, to the Applicable Lending Office of the Bank not later than 12:00 p.m. London time on the date on which such payment shall become due (each such payment made after such time on such due date to be deemed to have been made on the next succeeding Business Day). If an Event of Default has occurred and is continuing, the Bank may apply any such payment as it may elect in its discretion. If due date of any payment under this Agreement or the Note would otherwise fall on a day that is not a Business Day, such date shall be extended to the next succeeding Business Day and interest shall be payable for any principal so extended for the period of such extension.

**4.02 Computations.** Interest shall be computed on the basis of the actual days elapsed (including the first day but excluding the last day) occurring in the period for which payable, relative to a year of 360 days.

**SECTION 5. Yield Protection and Illegality.**

**5.01 Increased Cost of Loans, Etc.** In the event that, at any time or from time to time, by reason of any change in (including the imposition of any new) law, rule, regulation, treaty, directive or request of general applicability of any applicable governmental, fiscal or monetary authority (whether imposing or modifying taxation, reserve or special or other deposit requirements or any other requirements or conditions), or any interpretation or administration thereof by any court or any such authority charged with the interpretation or administration thereof, the cost to the Bank of maintaining or funding the Loan or any amount owed to it hereunder is increased, or any amount (or the effective return on any amount) received or receivable by the Bank hereunder or under the Note is reduced, or the Bank is required to make any payment in connection with any transactions contemplated hereby, then, within 15 days after the Bank's demand, the Borrower will pay to the Bank such additional amount or amounts as will, in the determination of the Bank, compensate the Bank, after all taxes, for such increased cost, reduction or payment. Determinations by the Borrower under this Section 5.01 of the effect of any such change as aforesaid on the cost to the Bank of funding or

maintaining the Loan or any amount owed to it hereunder or any amounts received or receivable by it hereunder, and of the additional amounts required to compensate the Borrower as aforesaid, shall be made reasonably and in good faith and shall be conclusive in the absence of manifest error.

**5.02 Compensation.** The Borrower shall pay to the Bank, upon the request of the Bank, such amount or amounts as shall be sufficient, (in the reasonable opinion of the Bank) to compensate it for any loss, cost or expense that the Bank determines is attributable to any payment of the Loan on a date other than the last day of an Interest Period. Without limiting the effect of the preceding sentence, such compensation shall include an amount equal to the excess, if any, of (i) the amount of interest that otherwise would have accrued on the principal amount so paid for the period from the date of such payment to the last day of the then current Interest Period at the applicable rate of interest for the Loan provided for herein over (ii) the interest component of the amount the Bank would have bid in the London interbank market for Dollar deposits of lending banks in amounts comparable to such principal amount and with maturities comparable to such period (as reasonably determined by the Bank).

**5.03 Alternative Interest Rate.** If, at any time prior to the second Business Day prior to the first day of any Interest Period, the Borrower receives notice from the Bank that for any reason whatsoever deposits in Dollars are not being offered by the Bank to leading banks in the London interbank market for a term comparable to such Interest Period and in an amount comparable to the outstanding Loan, then:

- (i) During the 20-day period following the date of any such notice (the "Negotiation Period"), the Bank and the Borrower will negotiate in good faith for the purpose of agreeing upon an alternative, mutually acceptable basis for determining the rate of interest (the "Substitute Rate") to be applicable to the Loan from time to time; and if at the expiry of the Negotiation Period, the Bank and the Borrower have agreed upon a Substitute Rate, the Substitute Rate shall be retroactive to, and take effect from, the beginning of the then current Interest Period.

(ii) If, at the expiry of the Negotiation Period, a Substitute Rate shall not have been agreed upon, the Bank shall notify the Borrower of the cost to the Bank (as determined by the Bank) of funding and maintaining the Loan for the then current Interest Period, and the interest payable to the Bank on the Loan for such Interest Period shall be at a rate per annum equal to the sum of 1% plus the cost (expressed as a percentage per annum) of funding and maintaining the Loan as so notified by the Bank.

The procedures specified in subparagraphs (i) and (ii) immediately above shall apply to each Interest Period succeeding the first Interest Period to which they are applied unless and until the Bank shall determine that the relevant condition referred to above no longer exists and so notifies the Borrower, whereupon interest on the Loan shall again be determined in accordance with the LIBOR provisions of Section 2.03 hereof, effective commencing on the first day of the Interest Period next succeeding the date of such notice. Should the Bank make a determination as contemplated in Section 5.04 hereof at a time when interest on the Loan is payable in accordance with Section 2.03(b) hereof, then for purposes of calculating the Substitute Rate, subparagraph (i) above shall be disregarded and it shall instead be presumed that a relevant Negotiation Period expired without a Substitute Rate having been agreed upon, and subparagraph (ii) above (together with Section 2.03(b) hereof) shall apply.

**5.04 Illegality.** In the event that it shall, in the good faith opinion of the Bank, at any time be or become unlawful under any applicable law, rule, regulation, treaty or directive of any governmental, regulatory, fiscal or monetary authority, or under any interpretation thereof by any such authority or any court, for the Bank or any Loaning Institution(s) to fund or maintain the Loan, the Borrower shall, upon the Bank's demand, prepay the entire outstanding principal thereon and all other amounts owing to the Bank hereunder with respect to the Loan (including all such amounts owing under Sections 5.02 and 7.02 hereof), on the last day of the Interest Period in which (or on such earlier date as may be specified by the Bank as being the last permissible date for such prepayment under the relevant law, rule, regulation, treaty, directive or interpretation) such demand is made.

**SECTION 6. Representations and Warranties.**

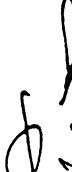
The Borrower represents and warrants to the Bank, as of the date hereof.

**6.01 Citizenship, Etc.** The Borrower is a citizen of the Kingdom of Saudi Arabia and is resident at the address stated in the initial paragraph of this Agreement. Interedec (Ltd.) is duly organized and validly existing in good standing under the laws of the Bahamas, and 100% of the outstanding capital stock of Interedec (Ltd.) is directly owned by the Borrower. Interedec (N.V.) is duly organized and validly existing in good standing under the laws of the Netherlands Antilles, and 100% of the outstanding capital stock of Interedec (N.V.) is directly owned by Interedec (Ltd.)

NBG Financial is duly organised and validly existing in good standing under the Laws of the State of Georgia, USA, and 100% of the outstanding capital stock of NBG Financial is directly owned by Interedec (N.V.).

NBG is duly organised under US Federal Laws and validly existing in good standing and 100% of the oustanding capital stock of NBG is directly owned by NBG Financial.

**6.02 Litigation.** There are no legal or arbitral proceedings or any proceedings by or before any governmental or regulatory authority or agency now pending or, to the knowledge of the Borrower, threatened against the Borrower, Interedec (Ltd.), Interedec (N.V.), NBG Financial or NBG,(i) in which there is a reasonable probability of an adverse decision that could materially and adversely affect the financial condition or operations, or the business taken as a whole, of the Borrower, Interedec (Ltd.), Interedec (N.V.), NBG Financial or NBG or (ii) that calls into question the validity of any Loan Documents or the Borrower's, Interedec, (Ltd.)'s, Interedec (N.V.)'s, NBG Financial's or NBG's right or power to enter into or perform any thereof.



6.03 No Breach. None of the execution and delivery of the Loan Documents, the consummation of the transactions therein contemplated and compliance with the terms and provisions thereof will conflict with or result in a breach of, or require any consent (not theretofore obtained at the time this representation is made) under any applicable law or regulation, or any order, writ, injunction or decree of any court or governmental authority or agency, or any agreement or instrument to which the Borrower, Interedec (Ltd.), Interedec (N.V.), NBG Financial or NBG is a party or by which any of them is bound or to which is subject, or constitute a default under any such agreement or instrument, or result in the creation or imposition of any Lien upon any of the revenues or assets of the Borrower, Interedec (Ltd.), Interedec (N.V.), NBG Financial or NBG pursuant to the terms of any such agreement or instrument.

6.04 Authority. This Loan Agreement has been duly and validly executed and delivered by the Borrower and constitutes, and the Note and Pledge Agreement when executed and delivered will constitute, the legal, valid and binding obligations of the Borrower (and Interedec (Ltd.), Interedec (N.V.), and NBG Financial in the case of the Pledge Agreement), enforceable in accordance with their terms.

6.05 Approvals. No authorizations, approvals or consents of, and no filings or registrations with, any governmental or regulatory authority or agency are necessary for the execution, delivery or performance by the Borrower, Interedec (Ltd.), Interedec (N.V.), NBG Financial or NBG of any of the Loan Documents or for the validity or enforceability of any thereof.

6.06 Survival. All representations and warranties made by the Borrower herein shall survive the making of the Loan hereunder and the execution and delivery to the Bank of the Note.

SECTION 7. Taxes.

7.01 Full Amount Payable. The Borrower shall pay when due all Taxes and, in the event that the Borrower is required by applicable law, decree or regulation to deduct or withhold Taxes from any amounts payable on, under or in respect of this Agreement, the Loan or the Note, the Borrower shall promptly pay such Taxes and pay such additional amounts to the Bank as may be required, after the deduction or withholding of Taxes, to enable the Bank to receive from the Borrower on the due date thereof, an amount equal to the full amount stated to be payable to the Bank under this Agreement or the Note.

7.02 Indemnity. The Borrower will indemnify the Bank against, and reimburse the Bank upon demand for, any Taxes and any loss, liability, claim or expense (including interest, penalties, fines, surcharges and legal fees) that the Bank may incur at any time arising out of or in connection with any failure of the Borrower to make any payments of Taxes when due the obligation of the Borrower under this Section 7 shall survive the payment in full of the Loan and the cancellation of the Note.

7.03 No Reduction. All payments on account of the principal of and interest on the Loan and Note and all other amounts payable by the Borrower to the Bank hereunder (including amounts payable under Section 7.02) shall be made in Dollars, free and clear of and without reduction by reason of any Taxes, all of which will be for the account of, and paid in full when due by the Borrower.

7.04 Tax Receipts. Without in any way affecting the Borrower's obligations under the preceding provisions of this Section 7, the Borrower shall furnish to the Bank the originals or certified copies of all tax receipts in respect of each payment, deduction or withholding of Taxes required to be made by applicable law or regulations within 45 days after the date each payment under this Agreement subject to Taxes is made, and the Borrower shall, at the request of the Bank, promptly furnish to the Bank any other information, documents and receipts that the Bank may require to establish to its satisfaction that full and timely payment has been made of all Taxes required to be paid hereunder.

**SECTION 8. Events of Default.**

If one or more of the following events or conditions (an "Event of Default") shall occur and be continuing:

- (a) The Borrower shall default in the payment of any principal of or interest on the Loan or any other amount payable by it hereunder or under the Note.
- (b) Any representation, warranty or certification made in any of the Loan Documents or in any document furnished in connection herewith or therewith by the Borrower shall prove to have been false or misleading as of the time made or furnished in any materially adverse respect;
- (c) The Borrower, Interedec (Ltd.), Interedec (N.V.), NBG Financial, or NBG shall (i) apply for or consent to the appointment of, or the taking of possession by, a receiver, custodian, trustee or liquidator of itself or of all or substantial part of his property; (ii) make a general assignment for the benefit of his or its creditors; (iii) commence a voluntary case under the U.S. Bankruptcy Code (as now or hereafter in effect); (iv) file a petition seeking to take advantage of any other law of any jurisdiction relating to bankruptcy, insolvency, reorganization, suspension of payments, moratorium, winding-up, or composition or readjustment of debts; (v) fail to controvert in a timely and appropriate manner, or acquiesce in writing to, any petition filed against him or it in an involuntary case under the U.S. Bankruptcy Code; or (vi) take any action for the purpose of effecting any of the foregoing;
- (d) A proceeding or case shall be commenced, without the application or consent of the Borrower, Interedec (Ltd.), Interedec (N.V.), NBG Financial, or NBG in any court of competent jurisdiction, seeking (i) liquidation, reorganization, dissolution or winding-up, or the composition or readjustment of debts of the Borrower,

Interedec (Ltd.), Interedec (N.V.), NBG Financial, or NBG (ii) the appointment of a trustee, receiver, custodian, liquidator or the like of the Borrower, Interedec (Ltd.), Interedec (N.V.), NBG Financial, or NBG or of all or any substantial part of any of their assets; or (iii) similar relief in respect of the Borrower, Interedec (Ltd.), Interedec (N.V.), NBG Financial, or NBG under any law of any jurisdiction relating to bankruptcy, insolvency, reorganization, suspension of payments, moratorium, winding-up, or composition or adjustment of debts, and such proceeding or case shall continue undismissed, or an order, judgement or decree approving or ordering any of the foregoing shall be entered and continue unstayed and in effect, for a period of 30 days; or an order for relief against the Borrower, Interedec (Ltd.), Interedec (N.V.), NBG Financial, or NBG shall be entered in an involuntary case under the U.S. Bankruptcy Code;

- (e) Any shares of the capital stock of NBG (a national banking association organized under United States federal laws), NBG Financial (a State of Georgia corporation), Interedec (Ltd.) or Interedec (N.V.) shall at any time become subject to any Lien or be sold, assigned or otherwise transferred (or become subject to any agreement of sale, assignment or transfer), except (i) pursuant to the Pledge Agreement, (ii) pursuant to the CCAH Pledge, (iii) in the case of the shares of NBG Financial pursuant to the Option Agreement, (iv) in the case of the shares of NBG, with respect to the sale of the directors' qualifying shares; or (v) with the prior written consent of the Bank;
- (f) Any Dividend Payment shall be declared, set aside, made, or issued.
- (g) The Borrower, Interedec (Ltd.), Interedec (N.V.) or NBG Financial shall default in the performance or observance of any condition or undertaking contained in the Pledge Agreement.
- (h) The Borrower shall die or be declared legally incompetent by a judicial authority having jurisdiction over the Borrower.

THEREUPON (i) in the case of an Event of Default, other than one referred to in clause (c) or (d) of this Section 8, the Bank may, by notice to the Borrower, declare the principal amount then outstanding of and the accrued interest on the Loan and the Note and all other amounts payable by the Borrower hereunder and thereunder to be forthwith due and payable, whereupon such amounts shall be immediately due and payable without presentment, demand, protest or other formalities of any kind, all of which are hereby waived by the Borrower, and (ii) in the case of the occurrence of an Event of Default referred to in clause (c) or (d) of this Section 8, the principal amount then outstanding of, and the accrued interest on all amounts payable by the Borrower under this Loan Agreement and the Note shall become automatically immediately due and payable without notice, presentment, demand, protest or other formalities of any kind, all of which are hereby expressly waived by the Borrower.

#### SECTION 9. Miscellaneous.

9.01 Waiver. No failure on the part of the Bank to exercise and no delay in exercising, and no course of dealing with respect to any right, power or privilege under this Agreement or any other Loan Document shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege under this Agreement or any other Loan Document preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The remedies provided herein are cumulative and not exclusive of any remedies provided by law.

9.02 Notice. All notices and other communication provided for herein shall be in writing and shall be mailed or sent by telegram to the intended recipient at the "Address for Notices" specified below or at such other address as shall be designated by a party in a notice to the other party. Notices and other communications hereunder shall be deemed to have been duly given 5 Business Days after the date deposited in the mails, addressed as aforesaid, or if sent by telegram, when transmitted as aforesaid.

Addresses for Notices:

If to the Borrower :

Dr. Ghaith R. Pharaon

P. O. Box 1935,

Jeddah, SAUDI ARABIA

Telex No. 405239 GRP SJ

If to the Bank:

Bank of Credit and Commerce

International (Overseas) Limited

Guinness Mahon Building, P. O. Box 1359,

George Town, Grand Cayman, CAYMAN ISLANDS

Attention: The Manager

Telex: 4319 BCCOSEA CP

9.03 Expenses, Etc. The Borrower agrees to pay (a) all out-of-pocket costs and expenses of the Bank, including counsels' fees, in connection with the preparation, execution, delivery, operation and enforcement of the Loan Documents; (b) all out-of-pocket expenses of the Bank, including counsels' fees, in connection with any actual or proposed waiver or amendment requested by the Borrower to any of the foregoing, whether or not such waiver or amendment shall become effective; and (c) all transfer, stamp, documentary or other similar taxes, assessments or charges levied by any governmental or revenue authority in respect of any of the foregoing or any other document referred to herein.

(d)

9.04 Amendments, Etc. Any provision of this Agreement may be modified or waived, but only by an instrument or instruments in writing signed by the Borrower and the Bank.

9.05 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors, heirs and assigns, except that the Borrower may not assign his rights or delegate his obligations hereunder.

9.06 Jurisdiction and Service of Process.

- A. Any suit, action or proceeding against the Borrower with respect to this Agreement or any other Loan Document or on any judgment entered by any court in respect of any thereof may be brought in the Supreme Court of the State of New York, County of New York, or in the United States District Court for the Southern District of New York, as the Bank may elect in its sole discretion, and the Borrower hereby submits to the non-exclusive jurisdiction of such courts for the purpose of any such suit, action or proceeding (and waives for such purpose any other preferential jurisdiction by reason of his present or future domicile or otherwise).
- B. The Borrower hereby agrees that service of all writs, processes and summonses in any such suit, action or proceeding brought in the State of New York may be made upon White & Case, of New York, New York (herein, together with the successors in such capacity hereunder, called the "Process Agent"), and the Borrower hereby irrevocably appoints the Process Agent its true and lawful attorney-in-fact in his name, place and stead to accept such service of any and all such writs, processes and summonses, and agrees that such service of process to the Process Agent shall not impair or affect the validity of such service or of any judgment based thereon. The Borrower agrees to maintain at all times an agent with offices in New York City to act as its Process Agent as aforesaid, and to maintain at all times a

domicile in New York City for purposes of judicial demand, and to give the Bank advance notice of any change of such Process Agent or of such domicile. The Borrower hereby further irrevocably consents to the services of process in any suit, action or proceeding in said courts by the mailing thereof by the Bank by registered or certified mail, postage prepaid, to the Borrower, addressed as provided in Section 9.02 hereof. Nothing herein shall in any way be deemed to limit the ability of the Bank to serve any such writs, processes or summonses in any other manner permitted by applicable law or to obtain jurisdiction over the Borrower in such other jurisdictions, and in such manner, as may be permitted by applicable law.

- C. The Borrower hereby irrevocably waives any objection which he may now hereafter have to the laying of the venue of any suit, action or proceeding arising out of or relating to this Agreement or any other Loan Documents brought in the Supreme Court of the State of New York, County of New York, or the United States District Court for the Southern District of New York, and hereby further irrevocably waives any claim that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum.

9.07 Counterparts. This Loan Agreement may be executed in counterparts.

9.08 Governing Law. The Loan Documents shall be governed by, and construed in accordance with, the law of the State of New York.

9.09 Severability. If any terms or provisions of this Agreement or application thereof to any person or circumstance shall to any extent be invalid or unenforceable, the remainder of this Agreement, or the application of such terms or provisions to persons or circumstances other than those as to which it is invalid or unenforceable, shall not be effected thereby, and each term and provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law.

9.10 Entire Agreement. This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof.

IN WITNESS WHEREOF, the parties hereto have caused this Loan Agreement to be duly executed as of the day and year first above written.

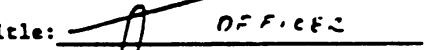
DR. CHAITH R. PHARAON



A handwritten signature consisting of stylized initials 'P' and 'R' followed by the surname 'Pharaon' written below a horizontal line.

BANK OF CREDIT AND COMMERCE  
INTERNATIONAL (OVERSEAS) LIMITED

By:   
I.M.A. IMAM

Title:   
OFFICER

By:   
S.A.A. NAQVI

Title:   
OFFICER

PLEDGE AGREEMENT

Dated as of 29<sup>th</sup> January , 1987

from

DR. GHAITH R. PHARAON

dr G R Pharaon  
29 Jan 1987  
DR. GHAITH R. PHARAON  
WB

INTEREDEC (GEORGIA) LIMITED

INTEREDEC (GEORGIA) N.V.

and

NBC FINANCIAL CORPORATION

to

BANK OF CREDIT AND COMMERCE  
INTERNATIONAL S.A.  
(New York Agency)

as agent for

BANK OF CREDIT AND COMMERCE INTERNATIONAL (OVERSEAS) LIMITED

WB  
Liaison  
DR. GHAITH R. PHARAON

## TABLE OF CONTENTS

	Page
<b>SECTION 1.</b> Definitions	3
<b>SECTION 2.</b> Collateral	4
<b>SECTION 3.</b> Representations and Warranties	6
<b>SECTION 4.</b> Further Assurances	8
<b>SECTION 5.</b> Prior Liens, Exercise of Option, Etc.	9
<b>SECTION 6.</b> Voting Power, Dividends, Payments, Etc.	11
<b>SECTION 7.</b> Pledge Agent Appointed Attorney-in-Fact	12
<b>SECTION 8.</b> Pledge Agent's Duties	13
<b>SECTION 9.</b> Rights and Remedies	13
<b>SECTION 10.</b> Application of Proceeds	17
<b>SECTION 11.</b> Consents by Interedec	18
<b>SECTION 12.</b> Amendments, Etc.	19
<b>SECTION 13.</b> Addresses for Notices	19
<b>SECTION 14.</b> Continuing Assignment and Security Interest	20
<b>SECTION 15.</b> Governing Law; Terms	20
<b>SECTION 16.</b> Headings	20
<b>SECTION 17</b> Severability	21

mB  
 LKQ  
 JLC

THIS AGREEMENT, dated as of 29th January 1987, from DR. GHAITH R. PHARAON, a citizen and resident of the Kingdom of Saudi Arabia ("Dr. Pharaon"), INTEREDEC (GEORGIA) LIMITED ("Interedec (Ltd.)"), a Bahamas corporation, INTEREDEC (GEORGIA) N.V. ("Interedec (N.V.)"), a Netherlands Antilles corporation, and NBC Financial Corporation ("Company"), a Georgia corporation, to the New York agency of BANK OF CREDIT AND COMMERCE INTERNATIONAL S.A. (the "Pledge Agent"), acting on behalf of BANK OF CREDIT AND COMMERCE INTERNATIONAL (OVERSEAS) LIMITED ("BCCI").

Dr. Pharaon, on his own behalf and on behalf of certain related entities has borrowed from BCCI and availed of certain outstanding credit lines and facilities evidenced by promissory notes of Dr. Pharaon.

In consideration thereof and in order to induce BCCI from time to time to provide additional credit and banking facilities and accommodations, including without limitation pursuant to that certain Loan Agreement between Dr. Pharaon and BCCI dated as of 29th January 1987 1987 (as in effect from time to time, the "Loan Agreement"), and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, Dr. Pharaon, Interedec (Ltd.), Interedec (N.V.), and Company hereby agree for the benefit of BCCI as follows:

#### SECTION I. Definitions.

Terms defined in the Loan Agreement and not otherwise defined herein shall have, as used herein, the respective meanings provided for therein. The following additional terms, as used herein, shall have the following respective meanings:

"Collateral" means the shares and all other property of any nature stated to be assigned as collateral security under Section 2.A herein.

"Loan Obligations" means any and all obligations (now existing or hereafter arising) of Dr. Pharaon, Interedec (Ltd.), Interedec (N.V.) or Company under the Loan Agreement, the Note, any other Loan Document or otherwise, provided that, for purposes of this Pledge Agreement, the aggregate amount of all such obligations owed to BCCI by Dr. Pharaon, Interedec (Ltd.), Interedec (N.V.) and/or Company and secured by the Collateral shall not exceed \$140,000,000.00 inclusive of interest.

"Obligations" means the Loan Obligations and any and all obligations (now existing or hereafter arising) of Dr. Pharaon, Interedec (Ltd.), Interedec (N.V.) or Company under this Agreement.

"Option Fee" has the meaning set forth in the Option Agreement entered into by Dr. Pharaon, Interedec (N.V.), and Credit and Commerce American Holdings ("CCAH") on 18<sup>th</sup> December 1984, ("Option Agreement").

"Option Obligations" mean any and all obligations (now existing or hereafter arising) of Dr. Pharaon, Interedec (Ltd.), Interedec (N.V.) and/or Company under the Option Agreement.

## SECTION 2. Collateral.

A. Pledge. As collateral security for the full and punctual payment and performance when due (whether at stated maturity, by acceleration or otherwise), of the Obligations, Dr. Pharaon, Interedec (Ltd.), Interedec (N.V.) and Company hereby pledge, assign, hypothecate, transfer and deliver to and with the Pledge Agent and for the benefit of BCCI, and Dr. Pharaon, Interedec (Ltd.), Interedec (N.V.) and Company grant to the Pledge Agent for the benefit of BCCI, a first lien and a prior perfected security interest in (i) all shares of the capital stock of Interedec (Ltd.), Interedec (N.V.), Company and National Bank of

Georgia, a national banking association organized under United States Federal Laws ("Bank"), respectively, whether now owned or hereafter acquired, directly or indirectly, and (ii) any cash dividends or other cash payments, additional shares or securities or other property at any time receivable or otherwise distributable in respect of, in exchange for, or in substitution of, any and all such capital stock, together with all of the proceeds of any thereof.

- B. Delivery. The certificates evidencing the shares pledged under Section 2.A herein shall be delivered to the Pledge Agent, duly endorsed in blank or with executed stock powers in blank annexed to each certificate. Any cash dividends or other cash payments (including the payment by CCAH of the exercise price of the Option ["Exercise Price"]) hereafter received by Dr. Pharaon, Interedec (Ltd.), Interedec (N.V.) and/or Company in respect of, in exchange for or in substitution of all or a portion of the shares pledged hereunder shall be received in trust for the benefit of BCCI, shall be segregated from other funds of Dr. Pharaon, Interedec (Ltd.), Interedec (N.V.) and/or Company, as the case may be, and shall, without the necessity of any demand by the Pledge Agent, be paid over to the Pledge Agent and thereafter shall be held by the Pledge Agent pursuant to the terms of this Agreement in a separate cash collateral account. If any shares, securities, or other property required to be pledged under Section 2.A herein are hereafter received by Dr. Pharaon, Interedec (Ltd.), Interedec (N.V.) or Company such party agrees forthwith to transfer and deliver to the Pledge Agent such shares, securities or other property so received (with appropriate endorsements, if any, and together with the certificates for any such shares and securities duly endorsed in blank), all of which thereafter shall be held by the Pledge Agent, pursuant to the terms of this Agreement, as part of the Collateral.

AMB

C. All Shares to be Pledged. Dr. Pharaon, Interedec (Ltd.), Interedec (N.V.) and Company will cause the shares pledged hereunder to constitute at all times not less than 100% of the total number of shares then outstanding (including treasury shares but excluding directors' qualifying shares) of capital stock of Interedec (Ltd.), Interedec (N.V.), Company and Bank, and will not permit Interedec (Ltd.), Interedec (N.V.), Company or Bank to issue or have outstanding any shares of any other class of its capital stock or to have outstanding any subscription warrants, rights or options to acquire any shares of any class of its capital stock, other than the Option, or as consented to in writing by BCCI.

D. Registration in Pledge Agent's Name, Etc. The Pledge Agent shall have the right (in its sole discretion) (i) to hold any certificates representing the Collateral in its own name, or in the name of Dr. Pharaon, Interedec (Ltd.), Interedec (N.V.) or Company endorsed or assigned in blank or in favour of the Pledge Agent, (ii) to have the Collateral or any part thereof registered in the name of the Pledge Agent or in the name or names of the Pledge Agent's nominees, or (iii) to exchange, at any time and from time to time, the certificates delivered hereby for certificates for smaller or larger denominations for any purpose consistent with the Pledge Agent's performance under this Agreement.

SECTION 3. Representations and Warranties. Each of Dr. Pharaon, Interedec (Ltd.), Interedec (N.V.) and Company represents and warrants, jointly and severally, to BCCI as follows :

(i) Dr. Pharaon, Interedec (Ltd.), Interedec (N.V.) and Company are and will be the legal and equitable owner of the shares of stock of Interedec (Ltd.), Interedec (N.V.), Company and Bank, respectively, pledged hereunder and will not make any

assignment, pledge, mortgage, hypothecation or transfer of any thereof or of any part thereof, except the pledge provided for herein, the Option and as consented to in writing by BCCI.

(ii) All such shares are and will be duly authorized, validly issued, fully paid and nonassessable.

(iii) Dr. Pharaon, Interedec (Ltd.), Interedec (N.V.) or Company (as the case may be) will own all such shares free and clear of all Liens except the pledge provided for herein, the Option and as consented to in writing by BCCI.

(iv) Except for directors' qualifying shares, Company directly owns all of the shares of capital stock of Bank, which constitutes the entire outstanding stock of every class and kind of Bank, there being outstanding no options, warrants, subscription agreements, convertible instruments or other rights to acquire any share of any class of said capital stock.

(v) The execution, delivery and performance by Dr. Pharaon, Interedec (Ltd.), Interedec (N.V.) and Company of this Pledge Agreement have been duly authorized and do not and will not (a) require any consent or approval (other than consents or approvals that have been obtained and remain in full force and effect) (b) violate any provision of the organic documents of Interedec (Ltd.), Interedec (N.V.), Company or Bank, or any law, rule, regulation, order, writ, judgment, injunction, decree, determination or award presently in effect having applicability to Dr. Pharaon, Interedec (Ltd.), Interedec (N.V.) or Company, (c) result in a breach of or constitute a default under such organic documents or any indenture or loan or credit agreement or other material agreement, lease or instrument to which Dr. Pharaon, Interedec (Ltd.), Interedec (N.V.) or Company is a

*unB*

party or by which he or it or his or its properties may be bound or affected, or (d) result in, or require, the creation or imposition of any Lien (other than the pledge provided for herein), upon or with respect to any of the property now owned or hereafter acquired by Dr. Pharaon, Interedec (Ltd.), Interedec (N.V.) or Company. This Pledge Agreement is the legal, valid and binding obligation of each of Dr. Pharaon, Interedec (Ltd.), Interedec (N.V.) and Company, enforceable against each of them in accordance with the terms herein.

SECTION 4. Further Assurances.

(a) Dr. Pharaon, Interedec (Ltd.), Interedec (N.V.) and Company jointly and severally agree that from time to time, at their expense, they will promptly execute and deliver all further instruments and documents, and take all further action, that may be necessary, or that the Pledge Agent may reasonably request, in order to perfect and protect the assignment, pledge and security interest granted or purported to be granted hereby or to enable the Pledge Agent to exercise and enforce the rights and remedies provided hereunder with respect to any Collateral. Without limiting the generality of the foregoing, Dr. Pharaon, Interedec (Ltd.), Interedec (N.V.) and Company jointly and severally will: (i) if any Collateral shall be evidenced by a promissory note or other instrument, deliver and pledge to the Pledge Agent hereunder such note or instrument duly endorsed and accompanied by duly executed instruments of transfer or assignment, all in form and substance satisfactory to the Pledge Agent; (ii) execute and file such financing or continuation statements, or amendments thereto, and such other instruments, endorsements or notices, as may be necessary, or as the Pledge Agent may reasonably request, in order to perfect and preserve the assignment, pledge and security interest granted or purported to be granted hereby; (iii) will defend the Collateral *WUG*

against any and all Liens (other than the Lien in the Option and the CCAH Pledge) howsoever arising (not including the security interest created by this Agreement), prior to or equal to the security interest created hereby; and (iv) if deemed necessary by the Pledge Agent to effect a sale of all or any portion of the shares pledged hereunder, register, at the expense of Dr. Pharaon, Interedec (Ltd.), Interedec (N.V.) and Company, such shares under the Securities Act of 1933 and/or the applicable Blue Sky laws of any state or other jurisdiction as may be requested by the Pledge Agent.

- (b) Dr. Pharaon, Interedec (Ltd.), Interedec (N.V.) and Company hereby authorize the Pledge Agent to file one or more financing or continuation statements, and amendments thereto, relative to all or any part of the Collateral without the signature of any of Dr. Pharaon, Interedec (Ltd.), Interedec (N.V.) or Company where permitted by law. Copies of any such statement or amendment thereto shall promptly be delivered to Dr. Pharaon, Interedec (Ltd.), Interedec (N.V.) or Company, as the case may be.

SECTION 5. Prior Liens, and Exercise of Option, Etc.

(a) Dr.

Pharaon, Interedec (Ltd.), Interedec (N.V.) and Company agree to observe or perform all conditions and covenants and to make all payments required by the Option and the CCAH Pledge. In the event of a default under the Option or CCAH Pledge, BCCI may obtain, and Dr. Pharaon, Interedec (Ltd.), Interedec (N.V.) and Company hereby expressly authorize BCCI, without notice to or demand upon any of Dr. Pharaon, Interedec (Ltd.), Interedec (N.V.) or Company, to obtain, discharge of the Option and the CCAH Pledge and in exercising such power to take such action (including satisfaction of the Obligations under the CCAH Pledge), make such payments, incur such liability and expend whatever amounts in BCCI's sole discretion BCCI may deem necessary therefor, and all such payments, liabilities and expenditures shall constitute additional indebtedness of Dr. Pharaon.

Interedec (Ltd.), Interedec (N.V.) and Company secured by this Pledge Agreement; (b) In order to assure satisfaction of the Loan Obligations upon exercise of the Option, Dr. Pharaon, Interedec (Ltd.) and Interedec (N.V.) agree and direct that payment of the Exercise Price be made to the Pledge Agent and that, upon receipt thereof, the Pledge Agent shall release from the lien established herein and deliver to CCAH all certificates evidencing the shares of Company and Bank pledged hereunder duly endorsed in blank or with executed stock powers in blank annexed to each such certificate. Such delivery of the shares of Company and Bank shall operate to divest all right, title, interest, claim and demand, either at law or in equity, of any party to this Agreement in and to the shares of Company and Bank and shall be a perpetual bar both at law and in equity against the parties to this Agreement and against any person claiming or attempting to claim such shares of Company from, through, or under such party. The Exercise Price shall be applied as follows :

- (i) first to the payment of all costs and expenses of the Pledge Agent, including reasonable compensation to the Pledge Agent and its agents and counsel;
  - (ii) then to the payment in full of the Loan Obligations, provided that, if the Loan Obligations are not then due, the remaining portion of the Exercise Price shall be held by the Pledge Agent until the Loan Obligations are due and owing;
  - (iii) then to the payment of any other Obligations; and
  - (iv) any surplus remaining shall be paid to Dr. Pharaon, Interedec (Ltd.), Interedec (N.V.) or Company or to whosoever may be lawfully entitled to receive the same.
- m/s  
R.F.C. Q
- D. H.

SECTION 6. Voting Power, Dividends, Payments, Etc.A. Rights Absent an Event of Default, etc.

- (a) Unless and until an Event of Default has occurred and is continuing, Dr. Pharaon, Interedec (Ltd.), Interedec (N.V.) or Company shall have the right to exercise all voting, consensual and other powers of ownership pertaining to the shares pledged hereunder for all purposes not inconsistent with the terms of this Agreement, the Loan Agreement or any other Loan Document, provided that such party agrees that it will (i) give the Pledge Agent at least ten (10) days' prior notice of the manner in and purpose for which it intends to exercise, or the reasons for refraining from exercising, any such power, (ii) not vote such shares in any manner that is inconsistent with or would cause a breach under the terms of this Agreement, the Loan Agreement, or any other Loan Document, and (iii) neither exercise, nor refrain from exercising, any such power if, in the judgment of the Pledge Agent, any such action or inaction would have a material adverse effect on the value of such shares or any part thereof.
- (b) The Pledge Agent shall execute and deliver to Dr. Pharaon, Interedec (Ltd.), Interedec (N.V.) or Company (as the case may be) or cause to be executed and delivered to Dr. Pharaon, Interedec (Ltd.), Interedec (N.V.) or Company (as the case may be) all such proxies, powers of attorney, dividend or other orders, and all such instruments, without recourse, as Dr. Pharaon, Interedec (Ltd.), Interedec (N.V.) or Company may reasonably request for the purpose of enabling Dr. Pharaon, Interedec (Ltd.), Interedec (N.V.) or Company to exercise the rights and power that he or it is entitled to exercise pursuant to the preceding provisions of this Section 6.A.
- LMB  
JQ  
FZ

B. Rights Upon Occurrence of Event of Default, Etc. As a supplement to the rights under other provisions of this Agreement, if any Event of Default shall have occurred, then so long as the same shall continue, and whether or not BCCI exercises any right, or seeks or pursues any other relief or remedy, available to it under applicable laws, the Loan Agreement or any Loan Document:

- (i) The Pledge Agent, or its nominee or nominees, shall forthwith, without further act by any party, have the sole and exclusive right to exercise all voting, consensual and other powers of ownership pertaining to the shares pledged hereunder and shall exercise such powers in such manner as the Pledge Agent, in its sole discretion, shall determine to be necessary, appropriate or advisable, and, if the Pledge Agent shall so request, Dr. Pharaon, Interedec (Ltd.), Interedec (N.V.) and Company agree to execute and deliver to the Pledge Agent such other and additional powers, authorizations, proxies, dividends and other orders, and such other documents, as the Pledge Agent may request to secure to the Pledge Agent the rights, powers and authorities intended to be conferred upon the Pledge Agent by this Section 6.B; and
  - (ii) All dividends and other distributions on or constituting any of the Collateral shall be paid directly to the Pledge Agent and retained by it as part of the Collateral, subject to the terms of this Agreement, and, if the Pledge Agent shall so request, Dr. Pharaon, Interedec (Ltd.), Interedec (N.V.) and Company agree to execute and deliver to the Pledge Agent appropriate additional dividend, distribution and other orders and documents to that end.

**SECTION 7. Pledge Agent Appointed Attorney-in-Fact.**

Each of Dr. Pharaon, Interedec (Ltd.), Interedec (N.V.) and Company *Inc.*  
hereby irrevocably appoints the Pledge Agent as their attorney-  
in-fact (which appointment as attorney-in-fact shall be coupled with

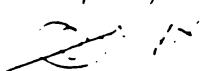
an interest), with full authority in the place and stead of Dr. Pharaon, Interedec (Ltd.), Interedec (N.V.) or Company (as the case may be) and in the name of Dr. Pharaon, Interedec (Ltd.), Interedec (N.V.) or Company (as the case may be) or otherwise, from time to time in the Pledge Agent's discretion to take any action and to execute any instrument that the Pledge Agent may deem necessary or advisable to accomplish the purposes of this Agreement (the Pledge Agent not being obligated to do any of the foregoing), including, to ask, demand, collect, sue for, recover, compound, receive and give acquittance and receipts for moneys due and to become due under or in connection with the Collateral, to receive, endorse, and collect any drafts or other instruments, documents and chattel paper in connection therewith, and to file any claims or take any action or institute any proceedings that the Pledge Agent may deem necessary or desirable for the collection thereof or to enforce compliance with the terms and conditions thereof.

#### **SECTION 8. Pledge Agent's Duties.**

The powers conferred on the Pledge Agent hereunder shall not impose any duty upon it to exercise any such powers. Except for the safe custody of any Collateral in its actual possession, the accounting for moneys actually received by it hereunder, and the delivery to CCAH in accordance with the terms of Section 5 herein of the shares of Company and Bank pledged hereunder, the Pledge Agent shall have no duty as to any Collateral or as to the taking of any necessary steps to preserve any rights pertaining to any Collateral.

#### **SECTION 9. Rights and Remedies.**

- (a) If an Event of Default shall have occurred and be continuing, all payments received by Dr. Pharaon, Interedec (Ltd.), Interedec (N.V.) or Company under or in connection with the Collateral shall be received in trust for the benefit of BCCI, shall be segregated from other funds of Dr. Pharaon, Interedec *kuB* (Ltd.), Interedec (N.V.) or Company and shall be forthwith paid over to the Pledge Agent in the same form as so received (with any necessary endorsement or instrument of transfer);



(b) If any Event of Default shall have occurred and be continuing and the principal amount of the Loan and then outstanding Note or other Loan Obligations shall have been declared to be, or shall have become, due and payable under the Loan Agreement and CCAH shall have delivered to the Pledge Agent its written consent to the exercise by the Pledge Agent of the hereinafter described rights and remedies, then, in addition to any other rights and remedies provided for herein or that may otherwise be available, the Pledge Agent may without any further demand, advertisement or notice [except as expressly provided for below in this subsection (b)] exercise all the rights and remedies of a secured party under the applicable Uniform Commercial Code (whether or not said Code applies to the affected Collateral), and in addition: (i) may apply the moneys, if any, then held by it as part of the Collateral, for the purposes and in the order provided in Section 10 herein and (ii) if there shall be no such moneys or the moneys so applied shall be insufficient to satisfy in full all Obligations, may sell the Collateral, or any part thereof, as hereinafter provided. The Collateral may be sold in one or more sales, at public or private sale, conducted by any officer or agent of, an auctioneer or attorney for, the Pledge Agent, at the Pledge Agent's place of business or elsewhere, for cash, upon credit or for other property, for immediate or future delivery, and at such price or prices and on such terms as the Pledge Agent shall, in its sole and absolute discretion, deem appropriate. The Pledge Agent, or BCCI, subject however to the receipts of any necessary regulatory approval(s), may be the purchaser of any or all of the Collateral so sold at a public sale and thereafter hold the same, absolutely, free from any right or claim of whatsoever kind and the obligations of Dr. Pharaon, Interedec (Ltd.), Interedec (N.V.) or Company to such purchaser may be applied as a credit against the purchase price. The Pledge Agent may, in its sole discretion, at any such sale restrict the prospective bidders or purchasers as to their number, nature of business and investment intention, including a requirement that the prospective bidders or purchasers represent and agree, to the satisfaction of the Pledge Agent, that they are purchasing the Collateral for their own account, for investment, and not with a view to the distribution or resale of any thereof. Upon

any such sale the Pledge Agent shall have the right to deliver, assign and transfer to the purchaser thereof the Collateral so sold. Each purchaser (including BCCI) at any such sale shall hold the Collateral so sold, absolutely free from any claim or right of whatsoever kind, including any equity or right of redemption, of Dr. Pharaon, Interedec (Ltd.), Interedec (N.V.) and Company and Dr. Pharaon, Interedec (Ltd.), Interedec (N.V.) and Company hereby specifically waive, to the full extent they may lawfully do so, all rights of redemption, stay of appraisal that they have or may have under any rule of law or statute now existing or hereafter adopted. The Pledge Agent shall give Dr. Pharaon, Interedec (Ltd.), Interedec (N.V.) and Company at least ten (10) days notice (which Dr. Pharaon, Interedec (Ltd.), Interedec (N.V.) and Company agree is reasonable notification within the meaning of Section 9-504(3) of the Uniform Commercial Code) of any such public or private sale. Such notice, in case of public sale, shall state the time and place fixed for such sale. Any such public sale shall be held at such time or times within ordinary business hours as the Pledge Agent shall fix in the notice of such sale. At any such sale the Collateral may be sold in one lot as an entirety or in separate parcels. The Pledge Agent shall not be obligated to make any sale pursuant to any such notice. The Pledge Agent may, without notice or publication, adjourn any public or private sale or cause the same to be adjourned from time to time by announcement at the time and place fixed for such sale, and any such sale may be made at any time or place to which the same may be so adjourned without further notice or publication. In case of any sale of all or any part of the Collateral on credit or for future delivery, the Collateral so sold may be retained by the Pledge Agent until the full selling price is paid by the purchaser thereof, but the Pledge Agent shall not incur any liability in case of the failure of such purchaser to take up and pay for the Collateral so sold, and in case of any such failure, such Collateral may again be sold pursuant to the provisions herein.

- (c) Instead of exercising the power of sale provided in Section 9(b) herein, the Pledge Agent may proceed by a suit or suits at law or in equity to foreclose the assignment, pledge and security interest under this Agreement and sell the Collateral or any portion thereof under a judgment or decree of a court or courts of competent jurisdiction;
- (d) The Pledge Agent as attorney-in-fact pursuant to Section 7 herein may, in the name and stead of Dr. Pharaon, Interedec (Ltd.), Interedec (N.V.) and Company, make and execute all conveyances, assignments and transfers of the Collateral sold pursuant to Section 9(b) or Section 9(c) herein, and Dr Pharaon, Interedec (Ltd.), Interedec (N.V.) and Company hereby ratify and confirm all that the Pledge Agent, as said attorney-in-fact, shall do by virtue hereof. Nevertheless, Dr. Pharaon, Interedec (Ltd.), Interedec (N.V.) and Company shall, if so requested by the Pledge Agent, ratify and confirm any sale or sales by executing and delivering to the Pledge Agent, or to such purchaser or purchasers, all such instruments as may, in the judgment of the Pledge Agent, be advisable for the purpose;
- (e) The receipt of the Pledge Agent for the purchase money paid at any such sale made by it shall be a sufficient discharge therefor to any purchaser of the Collateral, or any portion thereof, sold as aforesaid; and no such purchaser (or the representatives or assigns of such purchaser), after paying such purchase money and receiving such receipt, shall be bound to see to the application of such purchase money or any part thereof or in any manner whatsoever be answerable for any loss, misapplication or nonapplication of any such purchase money, or any part thereof, or be bound to inquire as to the authorization, necessity, expediency or regularity of any such sale; and

(f) The Pledge Agent shall incur no liability as a result of the manner of sale of the Collateral, or any part thereof, at any private sale conducted in a commercially reasonable manner. Dr. Pharaon, Interedec (Ltd.), Interedec (N.V.) and Company hereby waive, to the full extent permitted by applicable law, any claims against the Pledge Agent arising by reason of the fact that the price at which the Collateral, or any part thereof, may have been sold at a private sale was less than the price that might have been obtained at a public sale or was less than the aggregate amount of the Obligations, even if the Pledge Agent accepts the first offer received that the Pledge Agent in good faith deems to be commercially reasonable under the circumstances and does not offer the Collateral to more than one offeree. To the extent permitted by law, Dr. Pharaon, Interedec (Ltd.), Interedec (N.V.) and Company shall have the burden of proving that any such sale of the Collateral was conducted in a commercially unreasonable manner.

#### SECTION 10. Application of Proceeds.

If an Event of Default shall have occurred and be continuing, all proceeds of any sale or enforcement of the Pledge Agent's rights in respect of the Collateral, and all monies then held by the Pledge Agent as Collateral, shall be applied as follows:

- (a) first to the payment of all costs and expenses of such sale or enforcement including reasonable compensation to the Pledge Agent and its agents and counsel;
- (b), then to the payment in full of the Obligations; and
- (c) any surplus remaining shall be paid to Dr. Pharaon, Interedec (Ltd.), Interedec (N.V.) or Company or to whosoever may be lawfully entitled to receive the same.

WB  
JL

SECTION II. Consents by Interedec (Ltd.), Interedec (N.V.) and Company.

- (a) Each of Interedec (Ltd.), Interedec (N.V.) and Company hereby consents that, without notice to it:
- (i) at any time or from time to time, the time for Dr. Pharaon's performance of or compliance with any provision of the Loan Documents may be extended or such performance or compliance may be waived by BCCI;
- (ii) any of the acts permitted in such Loan Documents may be done;
- (iii) such Loan Documents may from time to time be amended by Dr. Pharaon and BCCI for the purpose of adding any provisions thereto or changing in any manner the rights of BCCI or of Dr. Pharaon thereunder;
- (iv) the maturity of the Note or the Loan may be extended or renewed in whole or in part;
- (v) the maturity of the Note or the Loan may be accelerated in accordance with the terms of such Loan Documents or any future agreement between Dr. Pharaon and BCCI or the holder of the Note; and
- (vi) any collateral security (including the Collateral) for all or any part of the Loan Obligations may be exchanged, surrendered or otherwise dealt with and BCCI's interest therein may be released and may or may not be perfected; all as BCCI in its sole discretion may determine.

all without affecting the liability of Interedec (Ltd.), Interedec (N.V.) or Company hereunder.

- (b) Each of Interedec (Ltd.), Interedec (N.V.) and Company hereby consents to the jurisdiction of the courts to the full extent provided with respect to Dr. Pharaon in Section 9.06 of the Loan Agreement, hereby appoints the Process Agent referred to therein as its agent for the purposes contemplated by said Section, and otherwise makes the same agreement as Dr. Pharaon under said Section.

#### SECTION 12. Amendments; Etc.

No amendment or waiver of any provision of this Agreement nor consent to any departure by Dr. Pharaon, Interedec (Ltd.), Interedec (N.V.) or Company herefrom shall in any event be effective unless the same shall be in writing and signed by the Pledge Agent, and then such waiver or consent shall be effective only in the specific instance and for the specified purpose for which given.

#### SECTION 13. Addresses for Notices.

All notices and other communications hereunder shall be given in accordance with Section 9.02 of the Loan Agreement and if to the Pledge Agent, at: 320 Park Avenue, New York, New York 10022, Attention: Manager, Cable: BCCNY NYK;

if to Interedec (Ltd.), at: P.O. Box N-4645, NASSAU, BAHAMAS;

if to Interedec (N.V.), at: C/o Concorde International,  
4 Place de la Concorde, Paris 75008, France. Telex No.240174 CNCRD;

if to Company, at 2000 Riveredge Parkway, Atlanta, Georgia.  
Attention: Treasurer; Cable: 859958, Answer Back: NATL BRGA.

D  
JLW  
-LWB

SECTION 14. Continuing Assignment, Pledge and Security Interest

This Agreement shall create a continuing assignment, pledge and security interest in the Collateral and shall (i) remain in full force and effect for the benefit of BCCI until payment in full of the Loan Obligations and all other amounts owing to BCCI under the Loan Agreement, the Note and the other Documents, (ii) be jointly and severally binding upon Dr. Pharaon, Interedec (Ltd.), Interedec (N.V.) and Company and their respective successors and assigns and (iii) inure, together with the rights and remedies of BCCI hereunder, to the benefit of BCCI and its successors, transferees and assigns.

Upon the exercise of the Option, the lien and security interest of BCCI in the shares of Company and Bank, but not the proceeds thereof, pledged hereunder shall terminate, and upon the payment in full of the Loan Obligations and all other amounts owing to BCCI the assignment, pledge and security interest granted hereby to BCCI shall terminate and BCCI will, at the expense of Dr. Pharaon, Interedec (Ltd.), Interedec (N.V.) or Company, deliver to Dr. Pharaon, Interedec (Ltd.), Interedec (N.V.) or Company such documents as Dr. Pharaon, Interedec (Ltd.), Interedec (N.V.) or Company shall reasonably request to evidence such termination.

SECTION 15. Governing Law; Terms.

This Agreement shall be governed by, and construed in accordance with, the law of the State of New York. Unless otherwise defined herein or in the Loan Agreement, terms used in Article 9 of the Uniform Commercial Code in the State of New York are used herein as therein defined.

SECTION 16. Headings.

Headings used in this Agreement are for convenience of reference only and do not constitute part of this Agreement for any purpose.

SECTION 17. Severability.

The parties hereto agree, to the fullest extent that they may effectively do so under applicable law, that in the event that one or more of the provisions hereof is held to be invalid, illegal or unenforceable in any respect in any jurisdiction, (a) the remaining provisions shall not be affected or impaired and shall remain in full force and effect and shall be liberally construed in favour of BCCI in order to carry out the intention of the parties hereto as nearly as may be possible, and (b) such invalid, illegal or unenforceable provisions shall not be affected or impaired in any other jurisdiction.

IN WITNESS WHEREOF, Dr. Pharaon, Interedec (Ltd.), Interedec (N.V.) and Company have duly executed and delivered this Agreement as of the date first above written.




---

Dr. Ghaith R. Pharaon

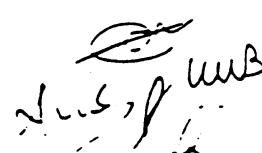
(Seal)

INTEREDEC (GEORGIA) LIMITED




---

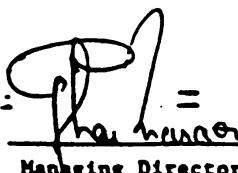
By: \_\_\_\_\_  
Managing Director



INTEREDEC (GEORGIA) N.V.

(Seal)

By:

  
Phu Nhien

Managing Director.

NBC FINANCIAL CORPORATION

By: William W. Basterini

(Seal)

Title: 1 year

Accepted:

Bank of Credit and Commerce  
 International S.A.,  
 New York Agency

By: Ch. Jules LuytenTitle: OFFICERBy: J. J. DeKempeneer  
NASITEM N.G.E.V.I.Title: OFFICER
 WMB  
 LNF  
 DSF

## BANK OF CREDIT AND COMMERCE INTERNATIONAL (OVERSEAS) LIMITED

By: H. L. D. Iyer1. M. A. I. M. A. M.Title: OFFICERBy: H. L. D. IyerS. M. A. M. A. M.Title: OFFICERW.M.B.  
1971

**PLEDGE AGREEMENT  
CERTIFICATE OF WITNESS**

The undersigned, Saleem Malik, DOES HEREBY CERTIFY that Dr. Ghaith R. Pharaon, personally known to me to be the person whose name is subscribed to the attached Pledge Agreement, dated as of January 29, 1987, individually and as Managing Director of Interedec (Georgia) Ltd. and Interedec (Georgia) N.V., personally appeared before me and executed and delivered such instrument and acknowledged to me that, being informed of the contents thereof, he executed and delivered the same, voluntarily in his individual capacity and in his capacity as Managing Director of Interedec (Georgia) Ltd. and Interedec (Georgia) N.V., for the purposes therein stated.

IN WITNESS WHEREOF, I have hereunto set my hand this ..... day of January, 1987.

Saleem Malik

STATE OF NEW YORK )  
 ) ss:  
COUNTY OF NEW YORK )

On this 29th day of January in the year 1987, before me ZULFIQAR E. MALIK, a Notary Public in and for said State of New York, personally appeared Saleem Malik, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person whose name is subscribed to the above Certificate of Witness, who executed and delivered such certificate and affirmed to me under the penalty of perjury that the facts certified to therein were true and correct.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year this 29th day of January 1987.

Zulfiqar E. Malik

Notary Public

ZULFIQAR ELAH MALIK  
Notary Public, State of New York  
No. 31-4666084

Qualified in New York County  
Commission Expires December 31, 1990

[Notary Seal]

My commission expires:

\_\_\_\_\_

COUNTY OF NEW YORK )  
STATE OF NEW YORK - ) ss:

ZULFIQAR E. MALIK.... a Notary Public in and for the State of New York, personally appeared MK ASQEEV SIDDIQU and M2:NADEEM NAQVI and personally known to me (or proved to me on the basis of satisfactory evidence) to be the persons whose names are subscribed to the attached Pledge Agreement, dated as of 29th January 1987, as an OFFICER and an OFFICER of Bank of Credit and Commerce International S.A., one of the companies that executed and delivered such instrument, and acknowledged to me that, being informed of the contents thereof, they executed and delivered the same, voluntarily in their capacity as such, for the purposes therein stated, on behalf of Bank of Credit and Commerce International, S.A., as the free act and deed of such company.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal this 29th day of January 1987.

Zulfiqar E. Malik

Notary Public  
ZULFIQAR ELAHI MALIK  
Notary Public, State of New York  
No. 31-4098084  
Qualified in New York County  
Commission Expires December 31, 1998

[Notary Seal]

My commission expires:

Georgia  
State of New York ) ss:

Georgia

On this 29th day of January in the year 1987 before me, Laura J. StClair, a Notary Public in and for State of New York, personally appeared William W. Battastini, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person whose name is subscribed to the attached Pledge Agreement, dated as of January 29, 1987, as the Treasurer of NBC Financial Corporation, one of the companies that executed and delivered such instrument, and acknowledged to me that, being informed of the contents thereof, he executed and delivered the same voluntarily in his capacity as such, for the purposes therein stated, on behalf of NBC Financial Corporation as the free act and deed of such company.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal this day of January 1987.

Laura J. StClair  
Notary Public

(Notary Seal)

My commission expires:

Notary Public, Georgia, State at Large  
My Commission Expires Apr. 8, 1989

**PLEDGE AGREEMENT**  
**CERTIFICATE OF WITNESS**

The undersigned, Saleem Malik, DOES HEREBY CERTIFY that I.M.A. Imam and S.A.A. Naqvi, personally known to me to be the persons whose names are subscribed to the attached Pledge Agreement, both dated as of January 29, 1987, as officers of Bank of Credit and Commerce International (Overseas) Limited, personally appeared before me and executed and delivered the within instrument and acknowledged to me that, being informed of the contents thereof, they executed and delivered the same voluntarily, for the purposes therein stated, as their free act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand this <sup>29<sup>th</sup> day of January, 1987.</sup>

STATE OF NEW YORK      )  
 COUNTY OF NEW YORK    )    ss:  
 )

ZULFIQAR E. MALIK On this <sup>29<sup>th</sup> day of January in the year 1987, before me ..... Notary Public in and for said State of New York, personally appeared Saleem Malik, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person whose name is subscribed to the above Certificate of Witness, who executed and delivered such certificate and affirmed to me under the penalty of perjury that the facts certified to therein were true and correct.</sup>

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year this 29th day of January 1987.

Notary Public  
 ZULFIQAR E. MALIK  
 Notary Public, State of New York  
 No. 31-668094  
 Qualified in New York County  
 Commission Expires December 31, 1988

[ Notary Seal ]

My commission expires:

=====

PLEDGE AGREEMENT

Dated as of December 18, 1986

from

DR. CHAITH R. PHARAON,  
INTEREDEC (GEORGIA) LIMITED,  
INTEREDEC (GEORGIA) N.V.,  
and  
NBG FINANCIAL CORPORATION

to

BANK OF CREDIT AND COMMERCE INTERNATIONAL, S.A.  
(NEW YORK AGENCY)  
as agent for  
CREDIT AND COMMERCE AMERICAN HOLDINGS, N.V.

R  
Ray  
Bell  
O

B  
R  
H

## TABLE OF CONTENTS

	<u>Page</u>
<b>SECTION 1.</b> Definitions . . . . .	1
<b>SECTION 2.</b> Collateral . . . . .	4
<b>SECTION 3.</b> Representations and Warranties . . . . .	6
<b>SECTION 4.</b> Further Assurances . . . . .	7
<b>SECTION 5.</b> Exercise of Option, Etc. . . . .	8
<b>SECTION 6.</b> Voting Power, Dividends, Payments, Etc. . .	9
<b>SECTION 7.</b> Pledge Agent Appointed Attorney-in-Fact .	11
<b>SECTION 8.</b> The Pledge Agent's Duties . . . . .	11
<b>SECTION 9.</b> Rights and Remedies . . . . .	11
<b>SECTION 10.</b> Application of Proceeds . . . . .	15
<b>SECTION 11.</b> Consents by Interedec . . . . .	15
<b>SECTION 12.</b> Amendments; Etc. . . . .	16
<b>SECTION 13.</b> Addresses for Notices . . . . .	17
<b>SECTION 14.</b> Continuing Assignment, Pledge and Security Interest . . . . .	17
<b>SECTION 15.</b> Governing Law; Terms . . . . .	17
<b>SECTION 16.</b> Headings . . . . .	18
<b>SECTION 17.</b> Severability . . . . .	18


THIS AGREEMENT dated as of December 18, 1986 from DR. GHAITH R. PHARAON, a citizen and resident of the Kingdom of Saudi Arabia ("Dr. Pharaon"), INTEREDEC (GEORGIA) LIMITED ("Interedec (Ltd.)"), a Bahamas corporation, INTEREDEC (GEORGIA) N.V. ("Interedec (N.V.)"), a Netherlands Antilles corporation, and NBG Financial Corporation ("Company"), a Georgia corporation, to BANK OF CREDIT AND COMMERCE INTERNATIONAL, S.A. (NEW YORK AGENCY) (the "Pledge Agent"), acting on behalf of CREDIT AND COMMERCE AMERICAN HOLDINGS, N.V. ("CCAH").

Dr. Pharaon and Interedec (N.V.) have entered into an Option Agreement dated as of December 18, 1986 (as in effect at any time, the "Option Agreement") with CCAH pursuant to which CCAH has been granted an option (the "Option") to acquire all the outstanding common stock of Company, a registered bank holding company under the Bank Holding Company Act of 1956. In consideration thereof and in order to induce CCAH to enter the Option Agreement and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, Dr. Pharaon, Interedec (Ltd.), Interedec (N.V.) and Company hereby agree for the benefit of CCAH as follows:

#### SECTION 1. Definitions.

Terms defined in the Option Agreement and not otherwise defined herein shall have, as used herein, the respective meanings provided for therein. The following additional terms, as used herein, shall have the following respective meanings:

"Collateral" means the shares and all other property of any nature stated to be assigned as collateral security under Section 2.A herein.

"Default" means any Event of Default, or any event or condition which would constitute an Event of Default without giving effect to any provisions for the giving of notice or lapse of time.

"Event of Default" means any one or more of the following events or conditions:

(a) Dr. Pharaon and Interedec (N.V.) shall fail to repay the Option Fee on the Expiration Date, unless Notice of Exercise has previously been given, or to make payment of the Cancellation Price on the Cancellation Date or the Termination Date, as the case may be, or shall default in the payment or performance when due of any other Obligations;

(b) Any representation, warranty or certification made in this Agreement, the Option Agreement or in any document furnished in connection herewith or therewith by Dr. Pharaon, Interedec (Ltd.), Interedec (N.V.) or Company shall prove to have been false or misleading as of the time made or furnished in any materially adverse respect;

(c) Any of Dr. Pharaon, Interedec (Ltd.), Interedec (N.V.) or Company shall (i) apply for or consent to the appointment of, or the taking of possession by, a receiver, custodian or trustee or the liquidation of Interedec (Ltd.), Interedec (N.V.) or Company or of all or a substantial part of the property of Dr. Pharaon, Interedec (Ltd.), Interedec (N.V.) or Company, as the case may be; (ii) make a general assignment for the benefit of the creditors of Dr. Pharaon, Interedec (Ltd.), Interedec (N.V.) or Company, as the case may be; (iii) commence a voluntary case under the U.S. Bankruptcy Code (as now or hereafter in effect); (iv) file a petition, make application or otherwise commence proceedings seeking to take advantage of any other law of any jurisdiction relating to bankruptcy, insolvency, reorganization, suspension of payments, moratorium, winding-up, or composition or readjustment of debts; (v) fail to controvert in a timely and appropriate manner, or acquiesce in writing to, any petition or application filed against Dr. Pharaon, Interedec (Ltd.), Interedec (N.V.) or Company, as the case may be, in an involuntary case or proceeding under the U.S. Bankruptcy Code or any other law of any jurisdiction relating to bankruptcy, insolvency, reorganization, suspension of payments, moratorium, winding-up, or composition or readjustment of debts; or (vi) take any action for the purpose of effecting any of the foregoing;

( )  
ad  
BB  
//

(d) A proceeding or case shall be commenced, without the application or consent of Dr. Pharaon, Interedec (Ltd.), Interedec (N.V.) or Company, in any court of competent jurisdiction, seeking (i) liquidation, reorganization, dissolution or winding-up, or the composition or readjustment of debts of Dr. Pharaon, Interedec (Ltd.), Interedec (N.V.) or Company, as the case may be; (ii) the appointment of a trustee, receiver, custodian, liquidator or the like of Interedec (Ltd.), Interedec (N.V.) or Company or of all or any substantial part of any of the assets of Dr. Pharaon, Interedec (Ltd.), Interedec (N.V.) or Company, as the case may be; or (iii) similar relief in respect of Dr. Pharaon, Interedec (Ltd.), Interedec (N.V.) or Company under any law of any jurisdiction relating to bankruptcy, insolvency, reorganization, suspension of payments, moratorium, winding-up, or composition or adjustment of debts, and such proceeding or case shall continue undismissed, or an order, judgment or decree approving or ordering any of the foregoing shall be entered and continue unstayed and in effect, for a period of thirty (30) days; or an order for relief against Dr. Pharaon, Interedec (Ltd.), Interedec (N.V.) or Company shall be entered in an involuntary case under the U.S. Bankruptcy Code;

(e) Any shares of the capital stock of National Bank of Georgia ("Bank") (a national banking association organized under United States federal laws), Company, Interedec (N.V.) or Interedec (Ltd.) shall at any time become subject to any lien or be sold, assigned or otherwise transferred (or become subject to any agreement of sale, assignment or transfer), except (i) pursuant to this Pledge Agreement, (ii) in the case of the shares of Company, pursuant to the Option, (iii) in the case of Bank shares, with respect to the sale of directors' qualifying shares, or (iv) with the prior written consent of CCAH;

(f) Any of Dr. Pharaon, Interedec (Ltd.), Interedec (N.V.) or Company shall default in the performance or observance of any covenant, condition or undertaking contained in this Pledge Agreement or the Option Agreement; or

*A  
Bob  
B  
C  
H*

(g) Any of Dr. Pharaon, Interedec (Ltd.), Interedec (N.V.) or Company shall default in the payment when due, by acceleration or otherwise, of any amount in respect of any indebtedness or obligation secured, directly or indirectly, by the Collateral, and such default shall continue beyond the applicable grace period, if any, specified in the note, agreement or other instrument relating to such debt, or any other event shall occur under any note, agreement or other instrument by which any such debt is evidenced or under which any such obligation is created which entitles the holder of such debt to cause such debt to become due prior to its stated maturity or payment date, and such default shall not be cured within the applicable grace period, if any, specified in such note, agreement or other instrument.

**"Obligations"** means any and all obligations (now existing or hereafter arising) of Dr. Pharaon, Interedec (Ltd.), Interedec (N.V.) or Company under this Agreement or under the Option Agreement.

#### SECTION 2. Collateral.

A. **Pledge.** As collateral security for the full and punctual payment and performance when due (whether at stated maturity, by acceleration or otherwise) of the Obligations, Dr. Pharaon, Interedec (Ltd.), Interedec (N.V.) and Company hereby pledge, assign, hypothecate, transfer and deliver to and with the Pledge Agent and for the benefit of CCAH, and Dr. Pharaon, Interedec (Ltd.), Interedec (N.V.) and Company grant to the Pledge Agent for the benefit of CCAH, a first lien and a prior perfected security interest in, (i) all shares of the capital stock of Interedec (Ltd.), Interedec (N.V.), Company and Bank, respectively, whether now owned or hereafter acquired, directly or indirectly, and (ii) any cash dividends or other cash payments, additional shares or securities or other property at any time receivable or otherwise distributable in respect of, in exchange for, or in substitution of, any and all such capital stock, together with all of the proceeds of any thereof.

**B. Delivery.** The certificates evidencing the shares pledged under Section 2.A herein shall be delivered to the Pledge Agent, duly endorsed in blank or with executed stock powers in blank annexed to each certificate. If any shares, securities, or other property required to be pledged under Section 2.A herein are hereafter received by Dr. Pharaon, Interedec (Ltd.), Interedec (N.V.) or Company, such party agrees forthwith to transfer and deliver to the Pledge Agent such shares, securities or other property so received (with appropriate endorsements, if any, and together with the certificates for any such shares and securities duly endorsed in blank), all of which thereafter shall be held by the Pledge Agent, pursuant to the terms of this Agreement, as part of the Collateral. If any Event of Default shall occur and be continuing, any cash payments received by Dr. Pharaon, Interedec (Ltd.) or Interedec (N.V.) in respect of, in exchange for or in substitution of all or any portion of the shares pledged hereunder shall be received in trust for the benefit of CCAH, shall be segregated from other funds of Dr. Pharaon, Interedec (Ltd.) or Interedec (N.V.), as the case may be, and shall, without the necessity of any demand by the Pledge Agent, be paid over to the Pledge Agent and thereafter shall be held by the Pledge Agent pursuant to the terms of this Agreement in a separate cash collateral account.

**C. All Shares to be Pledged.** Dr. Pharaon, Interedec (Ltd.), Interedec (N.V.) and Company will cause the shares pledged hereunder to constitute at all times not less than 100% of the total number of shares then outstanding (including treasury shares but excluding directors' qualifying shares) of the capital stock of Interedec (Ltd.), Interedec (N.V.), Company and Bank, and will not permit Interedec (Ltd.), Interedec (N.V.), Company or Bank to issue or have outstanding any shares of any other class of its capital stock or to have outstanding any subscription warrants, rights or options to acquire any shares of any class of its capital stock, other than the Option, or as consented to in writing by CCAH.

**D. Registration In Pledge Agent's Name, Etc.** The Pledge Agent shall have the right (in its sole discretion) (i) to hold any certificates representing the Collateral in its own name, or in the name of Dr. Pharaon, Interedec

JL  
RCA  
Bul

(Ltd.), Interedec (N.V.) or Company endorsed or assigned in blank or in favor of the Pledge Agent, (ii) to have the Collateral or any part thereof registered in the name of the Pledge Agent or in the name or names of the Pledge Agent's nominees, or (iii) to exchange, at any time and from time to time, the certificates delivered hereby for certificates for smaller or larger denominations for any purpose consistent with the Pledge Agent's performance under this Agreement.

SECTION 3. Representations and Warranties. Each of Dr. Pharaon, Interedec (Ltd.), Interedec (N.V.) and Company represents and warrants, jointly and severally, to CCAH as follows:

(i) Dr. Pharaon, Interedec (Ltd.), Interedec (N.V.) and Company are and will be the legal and equitable owner of the shares of stock of Interedec (Ltd.), Interedec (N.V.), Company and Bank, respectively, pledged hereunder and will not make any assignment, pledge, mortgage, hypothecation or transfer of any thereof or of any part thereof, except the pledge provided for herein, the Option or as consented to in writing by CCAH.

(ii) All such shares are and will be duly authorized, validly issued, fully paid and nonassessable.

(iii) Dr. Pharaon, Interedec (Ltd.), Interedec (N.V.) or Company (as the case may be) will own all such shares free and clear of all liens, security interests and encumbrances of any nature whatsoever ("Liens"), except the pledge provided for herein, the Option and as consented to in writing by CCAH.

(iv) Except for directors' qualifying shares, Company directly owns all of the shares of capital stock of Bank, which constitutes the entire outstanding stock of every class and kind of Bank, there being outstanding no options, warrants, subscription agreements, convertible instruments or other rights to acquire any shares of any class of said capital stock.

R  
RCA  
BSC

(v) The execution, delivery and performance by Dr. Pharaon, Interedec (Ltd.), Interedec (N.V.) and Company of this Pledge Agreement have been duly authorized and do not and will not (a) require any consent or approval (other than such consents and approvals that have been obtained and remain in full force and effect), (b) violate any provision of the organic documents of Interedec (Ltd.), Interedec (N.V.), Company or Bank, or any law, rule, regulation, order, writ, judgment, injunction, decree, determination or award presently in effect having applicability to Dr. Pharaon, Interedec (Ltd.), Interedec (N.V.) or Company, (c) result in a breach of or constitute a default under such organic documents or any indenture or loan or credit agreement or other material agreement, lease or instrument to which Dr. Pharaon, Interedec (Ltd.), Interedec (N.V.) or Company is a party or by which he or it or his or its properties may be bound or affected, or (d) result in, or require, the creation or imposition of any Lien (other than the pledge provided for herein), upon or with respect to any of the property now owned or hereafter acquired by Dr. Pharaon, Interedec (Ltd.), Interedec (N.V.) or Company. This Pledge Agreement is the legal, valid and binding obligation of each of Dr. Pharaon, Interedec (Ltd.), Interedec (N.V.) and Company, enforceable against each of them in accordance with the terms herein.

**SECTION 4. Further Assurances.** (a) Dr. Pharaon, Interedec (Ltd.), Interedec (N.V.) and Company jointly and severally agree that from time to time, at their expense, they will promptly execute and deliver all further instruments and documents, and take all further action, that may be necessary, or that the Pledge Agent may reasonably request, in order to perfect and protect the assignment, pledge and security interest granted or purported to be granted hereby or to enable the Pledge Agent to exercise and enforce the rights and remedies provided hereunder with respect to any Collateral. Without limiting the generality of the foregoing, Dr. Pharaon, Interedec (Ltd.), Interedec (N.V.) and Company jointly and severally will: (i) if any Collateral shall be evidenced by a promissory note or other instrument, deliver and pledge to the Pledge Agent hereunder such note or instrument duly endorsed and accompanied by

J  
RAB  
Bull  
H

duly executed instruments of transfer or assignment, all in form and substance satisfactory to the Pledge Agent; (ii) execute and file such financing or continuation statements, or amendments thereto, and such other instruments, endorsements or notices, as may be necessary, or as the Pledge Agent may reasonably request, in order to perfect and preserve the assignment, pledge and security interest granted or purported to be granted hereby; (iii) will defend the Collateral against any and all Liens howsoever arising (not including the security interest created by this Agreement), prior to or equal to the security interest created hereby; and (iv) if deemed necessary by the Pledge Agent to effect a sale of all or any portion of the shares pledged hereunder, register, at the expense of Dr. Pharaon, Interedec (Ltd.), Interedec (N.V.) and Company, such shares under the Securities Act of 1933 and/or the applicable Blue Sky laws of any state or other jurisdiction as may be requested by the Pledge Agent.

(b) Dr. Pharaon, Interedec (Ltd.), Interedec (N.V.) and Company hereby authorize the Pledge Agent to file one or more financing or continuation statements, and amendments thereto, relative to all or any part of the Collateral without the signature of any of Dr. Pharaon, Interedec (Ltd.), Interedec (N.V.) or Company where permitted by law. Copies of any such statement or amendment thereto shall promptly be delivered to Dr. Pharaon, Interedec (Ltd.), Interedec (N.V.) or Company, as the case may be, but failure to make such delivery shall not affect the validity thereof.

SECTION 5. Exercise of Option, Etc. Upon payment of the Exercise Price to the Pledge Agent, the Pledge Agent shall deliver to CCAH all certificates evidencing the shares of Company and Bank pledged hereunder duly endorsed in blank or with executed stock powers in blank annexed to each such certificate, and release from the Lien established herein the remainder of the Collateral. Such delivery of the shares of Company and Bank shall operate to divest all right, title, interest, claim and demand, either at law or in equity, of any party to this Agreement (other than the distributee) in and to the shares of Company and Bank and shall be a perpetual bar both at law and in equity against

J  
R  
P  
B  
S

the parties to this Agreement and against any person claiming or attempting to claim such shares of Company from, through, or under such party. The Exercise Price shall be applied as follows:

- (a) first to the payment of all costs and expenses of the Pledge Agent, including reasonable compensation to the Pledge Agent and its agents and counsel;
- (b) then to the satisfaction in full of any indebtedness (whether or not then due and owing) secured by any other pledge of the Collateral consented to by CCAH; and
- (c) any surplus remaining shall be paid to Dr. Pharaon, Interedec (Ltd.), Interedec (N.V.) or Company or to whosoever may be lawfully entitled to receive the same.

#### SECTION 6. Voting Power. Dividends. Payments. Etc.

A. Rights Absent an Event of Default. Etc. (a) Unless and until an Event of Default has occurred and is continuing, Dr. Pharaon, Interedec (Ltd.), Interedec (N.V.) or Company shall have the right to exercise all voting, consensual and other powers of ownership pertaining to the shares pledged hereunder for all purposes not inconsistent with the terms of this Agreement or the Option Agreement, provided that such party agrees that it will (i) give the Pledge Agent at least ten (10) days' prior notice of the manner in and purpose for which it intends to exercise, or the reasons for refraining from exercising, any such power, (ii) not vote such shares in any manner that is inconsistent with or would cause a default under the terms of this Agreement or the Option Agreement, and (iii) neither exercise, nor refrain from exercising, any such power if, in the judgment of the Pledge Agent, any such action or inaction would have a material adverse effect on the value of such shares or any part thereof.

JL  
RJM

(b) The Pledge Agent shall execute and deliver to Dr. Pharaon, Interedec (Ltd.), Interedec (N.V.) or Company (as the case may be) or cause to be executed and delivered to Dr. Pharaon, Interedec (Ltd.), Interedec (N.V.) or Company (as the case may be) all such proxies, powers of attorney, dividend or other orders, and all such instruments, without recourse, as Dr. Pharaon, Interedec (Ltd.), Interedec (N.V.) or Company may reasonably request for the purpose of enabling Dr. Pharaon, Interedec (Ltd.), Interedec (N.V.) or Company to exercise the rights and powers that he or it is entitled to exercise pursuant to the preceding provisions of this Section 6.A.

B. Rights Upon Occurrence of Event of Default.  
Etc. As a supplement to the rights under other provisions of this Agreement, if any Event of Default shall have occurred, then so long as the same shall continue, and whether or not CCAH exercises any right, or seeks or pursues any other relief or remedy, available to it under applicable laws or the Option Agreement:

(i) The Pledge Agent, or its nominee or nominees, shall forthwith, without further act by any party, have the sole and exclusive right to exercise all voting, consensual and other powers of ownership pertaining to the shares pledged hereunder and shall exercise such powers in such manner as the Pledge Agent, in its sole discretion, shall determine to be necessary, appropriate or advisable, and, if the Pledge Agent shall so request, Dr. Pharaon, Interedec (Ltd.), Interedec (N.V.) and Company agree to execute and deliver to the Pledge Agent such other and additional powers, authorizations, proxies, dividends and other orders, and such other documents, as the Pledge Agent may request to secure to the Pledge Agent the rights, powers and authorities intended to be conferred upon the Pledge Agent by this Section 6.B; and

(ii) All dividends and other distributions on or constituting any of the Collateral shall be paid directly to the Pledge Agent and retained by it as part of the Collateral, subject to the terms of this Agreement, and, if the Pledge Agent shall so request, Dr. Pharaon, Interedec (Ltd.), Interedec (N.V.) and

11  
AP  
P

Company agree to execute and deliver to the Pledge Agent appropriate additional dividend, distribution and other orders and documents to that end.

**SECTION 7. Pledge Agent Appointed Attorney-in-Fact.** Each of Dr. Pharaon, Interedec (Ltd.), Interedec (N.V.) and Company hereby irrevocably appoints the Pledge Agent as their attorney-in-fact (which appointment as attorney-in-fact shall be coupled with an interest), with full authority in the place and stead of Dr. Pharaon, Interedec (Ltd.), Interedec (N.V.) or Company (as the case may be) and in the name of Dr. Pharaon, Interedec (Ltd.), Interedec (N.V.) or Company (as the case may be) or otherwise, from time to time in the Pledge Agent's discretion to take any action and to execute any instrument that the Pledge Agent may deem necessary or advisable to accomplish the purposes of this Agreement (the Pledge Agent not being obligated to do any of the foregoing), including, to ask, demand, collect, sue for, recover, compound, receive and give acquittance and receipts for moneys due and to become due under or in connection with the Collateral, to receive, endorse, and collect any drafts or other instruments, documents and chattel paper in connection therewith, and to file any claims or take any action or institute any proceedings that the Pledge Agent may deem necessary or desirable for the collection thereof or to enforce compliance with the terms and conditions thereof.

**SECTION 8. Pledge Agent's Duties.** The powers conferred on the Pledge Agent hereunder shall not impose any duty upon it to exercise any such powers. Except for the safe custody of any Collateral in its actual possession, the accounting for moneys actually received by it hereunder, and the delivery to CCAH in accordance with the terms of Section 5 herein of the shares of Company and Bank pledged hereunder, the Pledge Agent shall have no duty as to any Collateral or as to the taking of any necessary steps to preserve any rights pertaining to any Collateral.

**SECTION 9. Rights and Remedies.** (a) If any Event of Default shall have occurred and be continuing, all payments received by Dr. Pharaon, Interedec (Ltd.),

JL RDL BLP

Interedec (N.V.) or Company under or in connection with the Collateral shall be received in trust for the benefit of CCAH, shall be segregated from other funds of Dr. Pharaon, Interedec (Ltd.), Interedec (N.V.) or Company and shall be forthwith paid over to the Pledge Agent in the same form as so received (with any necessary indorsement or instrument of transfer);

(b) If any Event of Default shall have occurred and be continuing, then, in addition to any other rights and remedies provided for herein or that may otherwise be available, the Pledge Agent may without any further demand, advertisement or notice (except as expressly provided for below in this subsection (b)), exercise all the rights and remedies of a secured party under the applicable Uniform Commercial Code (whether or not said Code applies to the affected Collateral), and in addition: (i) may apply the moneys, if any, then held by it as part of the Collateral, for the purposes and in the order provided in Section 10 herein and (ii) if there shall be no such moneys or the moneys so applied shall be insufficient to satisfy in full all Obligations, may sell the Collateral, or any part thereof, as hereinafter provided. The Collateral may be sold in one or more sales, at public or private sale, conducted by any officer or agent of, an auctioneer or attorney for, the Pledge Agent, at the Pledge Agent's place of business or elsewhere, for cash, upon credit or for other property, for immediate or future delivery, and at such price or prices and on such terms as the Pledge Agent shall, in its sole and absolute discretion, deem appropriate. The Pledge Agent or CCAH, subject, however, to receipt of any necessary regulatory approval, may be the purchaser of any or all of the Collateral so sold at a public sale and thereafter hold the same, absolutely, free from any right or claim of whatsoever kind and the obligations of Dr. Pharaon, Interedec (Ltd.), Interedec (N.V.) or Company to such purchaser may be applied as a credit against the purchase price. The Pledge Agent may, in its sole discretion, at any such sale restrict the prospective bidders or purchasers as to their number, nature of business and investment intention, including a requirement that the prospective bidders or purchasers represent and agree, to the satisfaction of the Pledge Agent, that they are purchasing the Collateral for their own account, for investment, and

*J*  
*RH*  
*H*  
*P*

not with a view to the distribution or resale of any thereof. Upon any such sale the Pledge Agent shall have the right to deliver, assign and transfer to the purchaser thereof the Collateral so sold. Each purchaser (including CCAH) at any such sale shall hold the Collateral so sold, absolutely free from any claim or right of whatsoever kind, including any equity or right of redemption, of Dr. Pharaon, Interedec (Ltd.), Interedec (N.V.) or Company, and Dr. Pharaon, Interedec (Ltd.), Interedec (N.V.) and Company hereby specifically waive, to the full extent they may lawfully do so, all rights of redemption, stay or appraisal that they have or may have under any rule of law or statute now existing or hereafter adopted. The Pledge Agent shall give Dr. Pharaon, Interedec (Ltd.), Interedec (N.V.) and Company at least ten (10) days' notice (which Dr. Pharaon, Interedec (Ltd.), Interedec (N.V.) and Company agree is reasonable notification within the meaning of § 9-504(3) of the Uniform Commercial Code) of any such public or private sale. Such notice, in case of public sale, shall state the time and place fixed for such sale. Any such public sale shall be held at such time or times within ordinary business hours as the Pledge Agent shall fix in the notice of such sale. At any such sale the Collateral may be sold in one lot as an entirety or in separate parcels. The Pledge Agent shall not be obligated to make any sale pursuant to any such notice. The Pledge Agent may, without notice or publication, adjourn any public or private sale or cause the same to be adjourned from time to time by announcement at the time and place fixed for such sale, and any such sale may be made at any time or place to which the same may be so adjourned without further notice or publication. In case of any sale of all or any part of the Collateral on credit or for future delivery, the Collateral so sold may be retained by the Pledge Agent until the full selling price is paid by the purchaser thereof, but the Pledge Agent shall not incur any liability in case of the failure of such purchaser to take up and pay for the Collateral so sold, and, in case of any such failure, such Collateral may again be sold pursuant to the provisions herein;

(c) Instead of exercising the power of sale provided in Section 9(b) herein, the Pledge Agent may proceed by a suit or suits at law or in equity to foreclose the assignment, pledge and security interest under this

J  
ad  
P

Agreement and sell the Collateral or any portion thereof under a judgment or decree of a court or courts of competent jurisdiction;

(d) The Pledge Agent as attorney-in-fact pursuant to Section 7 herein may, in the name and stead of Dr. Pharaon, Interedec (Ltd.), Interedec (N.V.) and Company, make and execute all conveyances, assignments and transfers of the Collateral sold pursuant to Section 9(b) or Section 9(c) herein, and Dr. Pharaon, Interedec (Ltd.), Interedec (N.V.) and Company hereby ratify and confirm all that the Pledge Agent, as said attorney-in-fact, shall do by virtue hereof. Nevertheless, Dr. Pharaon, Interedec (Ltd.), Interedec (N.V.) and Company shall, if so requested by the Pledge Agent, ratify and confirm any sale or sales by executing and delivering to the Pledge Agent, or to such purchaser or purchasers, all such instruments as may, in the judgment of the Pledge Agent, be advisable for the purpose;

(e) The receipt of the Pledge Agent for the purchase money paid at any such sale made by it shall be a sufficient discharge therefor to any purchaser of the Collateral, or any portion thereof, sold as aforesaid; and no such purchaser (or the representatives or assigns of such purchaser), after paying such purchase money and receiving such receipt, shall be bound to see to the application of such purchase money or any part thereof or in any manner whatsoever be answerable for any loss, misapplication or nonapplication of any such purchase money, or any part thereof, or be bound to inquire as to the authorization, necessity, expediency or regularity of any such sale; and

(f) The Pledge Agent shall incur no liability as a result of the manner of sale of the Collateral, or any part thereof, at any private sale conducted in a commercially reasonable manner. Dr. Pharaon, Interedec (Ltd.), Interedec (N.V.) and Company hereby waive, to the full extent permitted by applicable law, any claims against the Pledge Agent arising by reason of the fact that the price at which the Collateral, or any part thereof, may have been sold at a private sale was less than the price that might have been obtained at a public sale or was less than the aggregate amount of the Obligations, even if the Pledge Agent accepts the first offer received that the Pledge Agent in good faith

J  
D  
R  
P

deems to be commercially reasonable under the circumstances and does not offer the Collateral to more than one offeree. To the extent permitted by law, Dr. Pharaon, Interedec (Ltd.), Interedec (N.V.) and Company shall have the burden of proving that any such sale of the Collateral was conducted in a commercially unreasonable manner.

**SECTION 10. Application of Proceeds.** If an Event of Default shall have occurred and be continuing, all proceeds of any sale or enforcement of the Pledge Agent's rights in respect of the Collateral, and all moneys then held by the Pledge Agent as Collateral, shall be applied as follows:

(a) first to the payment of all costs and expenses of such sale or enforcement including reasonable compensation to the Pledge Agent and its agents and counsel;

(b) then to the payment in full of the Obligations, provided, however, that if at the time of such distribution the Obligations are not due, then the Pledge Agent shall hold all proceeds and moneys remaining after the payment of costs and expenses provided for by Section 10(a) herein until the Obligations are due and owing;

(c) then to the satisfaction in full of any indebtedness secured by any other pledge of the Collateral consented to by CCAH, provided that, if such indebtedness is not then due, then the remaining proceeds shall be held by the Pledge Agent until such indebtedness shall become due and owing; and

(d) any surplus remaining shall be paid to Dr. Pharaon, Interedec (Ltd.), Interedec (N.V.) or Company or to whosoever may be lawfully entitled to receive the same.

**SECTION 11. Consents by Dr. Pharaon, Interedec (Ltd.), Interedec (N.V.) and Company.** (a) Each of Dr. Pharaon, Interedec (Ltd.), Interedec (N.V.) and Company hereby consents that, without notice to it:

*D  
JL  
RBC  
PC*

(i) at any time or from time to time, the time for performance of or compliance with any provision of the Option Agreement by Dr. Pharaon or Interedec (N.V.) may be extended or such performance or compliance may be waived by CCAH;

(ii) any of the acts permitted in the Option Agreement may be done;

(iii) the Option Agreement may from time to time be amended by Dr. Pharaon and Interedec (N.V.) and CCAH for the purpose of adding any provisions thereto or changing in any manner the rights of CCAH or of Dr. Pharaon and Interedec (N.V.) thereunder; and

(iv) any collateral security (including the Collateral) for all or any part of the Obligations may be exchanged, surrendered or otherwise dealt with and CCAH's interest therein may be released and may or may not be perfected, all as CCAH in its sole discretion may determine;

all without affecting the liability of Dr. Pharaon, Interedec (Ltd.), Interedec (N.V.) or Company hereunder.

(b) Each of Interedec (Ltd.) and Company hereby consents to the jurisdiction of the courts to the full extent provided with respect to Dr. Pharaon and Interedec (N.V.) in Section 19 of the Option Agreement, hereby appoints the Process Agent referred to therein as its agent for the purposes contemplated by said Section, and otherwise makes the same agreements as Dr. Pharaon and Interedec (N.V.) under said Section.

SECTION 12. Amendments, Etc. No amendment or waiver of any provision of this Pledge Agreement nor consent to any departure by Dr. Pharaon, Interedec (Ltd.), Interedec (N.V.) or Company herefrom shall in any event be effective unless the same shall be in writing and signed by the Pledge Agent, and then such waiver or consent shall be effective only in the specific instance and for the specified purpose for which given.

(Initials)

RP

AK

*(Signature)*

**SECTION 13. Addresses for Notices.** All notices and other communications hereunder shall be given in accordance with Section 20 of the Option Agreement. Such notices shall be sent to the following addresses. If to Dr. Pharaon, Interedec (N.V.) or to CCAH, to the respective addresses specified in Section 20 of the Option Agreement. If to the Pledge Agent, at: 320 Park Avenue, New York, New York 10022, Attention: Manager; Cable: BKGA NY 66. If to Interedec (Ltd.), at ~~same address~~, Attention: Manager; Cable: \_\_\_\_\_. If to Company, at 2000 Riveredge Parkway, Atlanta, Georgia 30318, Attention: Treasurer; Cable: 859958, Answer Back: NATL BKGA.

**SECTION 14. Continuing Assignment, Pledge and Security Interest.** This Agreement shall create a continuing assignment, pledge and security interest in the Collateral and shall (i) remain in full force and effect for the benefit of CCAH until the earlier of exercise of the Option or satisfaction in full of the Obligations, (ii) be jointly and severally binding upon Dr. Pharaon, Interedec (Ltd.), Interedec (N.V.) and Company and their respective successors and assigns and (iii) inure, together with the rights and remedies of CCAH hereunder, to the benefit of CCAH and its successors, transferees and assigns.

Upon the earlier of (i) payment of the Exercise Price to the Pledge Agent and delivery to CCAH in accordance with Section 5 hereof of the shares of Company and Bank pledged hereunder, or (ii) satisfaction in full of the Obligations, the assignment, pledge and security interest granted hereby to the Pledge Agent on behalf of CCAH shall terminate and the Pledge Agent will, at the expense of Dr. Pharaon, Interedec (Ltd.), Interedec (N.V.) or Company, deliver to Dr. Pharaon, Interedec (Ltd.), Interedec (N.V.) or Company such documents as Dr. Pharaon, Interedec (Ltd.), Interedec (N.V.) or Company shall reasonably request to evidence such termination.

**SECTION 15. Governing Law; Terms.** This Agreement shall be governed by, and construed in accordance with, the law of the State of New York. Unless otherwise defined herein or in the Option Agreement, terms used in Article 9 of the Uniform Commercial Code in the State of New York are used herein as therein defined.

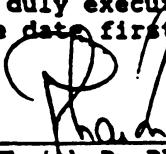
*(Signature)*

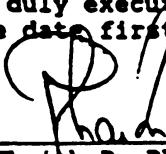
*(Signature)*

**SECTION 16. Headings.** Headings used in this Agreement are for convenience of reference only and do not constitute part of this Agreement for any purpose.

**SECTION 17. Severability.** The parties hereto agree, to the fullest extent that they may effectively do so under applicable law, that in the event that one or more of the provisions hereof is held to be invalid, illegal or unenforceable in any respect in any jurisdiction, (a) the remaining provisions hereof shall not be affected or impaired and shall remain in full force and effect and shall be liberally construed in favor of CCAH in order to carry out the intention of the parties hereto as nearly as may be possible, and (b) such invalid, illegal or unenforceable provisions shall not be affected or impaired in any other jurisdiction.

IN WITNESS WHEREOF, Dr. Pharaon, Interedec (Ltd.), Interedec (N.V.) and Company have duly executed and delivered this Agreement as of the date first above written.

  
\_\_\_\_\_  
Dr. Ghaih R. Pharaon

  
\_\_\_\_\_  
INTEREDEC (GEORGIA) LIMITED

[Seal]  
By \_\_\_\_\_  
Managing Director

  
\_\_\_\_\_  
INTEREDEC (GEORGIA) N.V.

[Seal]  
By \_\_\_\_\_  
Managing Director

  
K  
RGA  
D

## NBC FINANCIAL CORPORATION

[Seal]

By: Bill W. Batastini  
Title:

**Accepted:**

**Bank of Credit and Commerce International, S.A.  
(New York Agency).**

By R. Sree Liji / R. Sree Liji  
TITLE: OFFICER OFFICER

{ Seal }

**Credit and Commerce  
American Holdings, N.V.**

By: Robert L. Altman  
Title: Managing Director

**PLEDGE AGREEMENT  
CERTIFICATE OF WITNESS**

The undersigned, Saleem Malik, DOES HEREBY CERTIFY that on the 18<sup>th</sup> day of December in the year 1986, Dr. Ghaith R. Pharaon, personally known to me to be the person whose name is subscribed to the attached Pledge Agreement, dated as of December 12<sup>th</sup>, 1986, individually and as Managing Director of Interedec (Georgia) Ltd. and Interedec (Georgia) N.V., personally appeared before me and executed and delivered such instrument and acknowledged to me that, being informed of the contents thereof, he executed and delivered the same, voluntarily in his individual capacity and in his capacity as Managing Director of Interedec (Georgia) Ltd. and Interedec (Georgia) N.V., for the purposes therein stated.

IN WITNESS WHEREOF, I have hereunto set my hand this 18<sup>th</sup> day of December, 1986.



DISTRICT OF COLUMBIA) ss:

On this 18<sup>th</sup> day of December in the year 1986, before me Clara E. Balik, a Notary Public in and for said District of Columbia, personally appeared Saleem Malik, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person whose name is subscribed to the above Certificate of Witness, who executed and delivered such certificate and affirmed to me under the penalty of perjury that the facts certified to therein were true and correct.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year this 18<sup>th</sup> day of December, 1986.

Clara E. Balik  
Notary Public

[Notarial Seal]

My commission expires:

Commission Expires September 30, 1988

DISTRICT OF COLUMBIA ) ss:

On this 16 day of December in the year 1986, before me Clara E. Golik, a Notary Public in and for said District of Columbia, personally appeared William W. Battastini, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person whose name is subscribed to the attached Pledge Agreement, dated as of December 18, 1986, as the Treasurer of NBG Financial Corporation, one of the companies that executed and delivered such instrument, and acknowledged to me that, being informed of the contents thereof, he executed and delivered the same, voluntarily in his capacity as such, for the purposes therein stated, on behalf of NBG Financial Corporation as the free act and deed of such company.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal this 16<sup>th</sup> day of December, 1986.

Clara E. Golik  
Notary Public

[Notarial Seal]

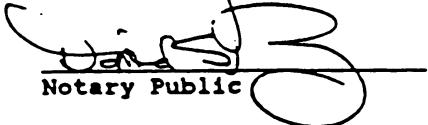
My commission expires:

Commission Expires November 29, 1988

(COUNTY)  
 CITY OF NEW YORK )  
 STATE OF NEW YORK ) ss:

On this 18<sup>th</sup> day of December in the year 1986, before  
 me DAVID S. PRIMACK, a Notary Public in and for said District of  
 Columbia, personally appeared NEIL M. NAQVI and  
A. SACCO SUDIARJO, personally known to me (or proved to me  
 on the basis of satisfactory evidence) to be the persons whose  
 names are subscribed to the attached Pledge Agreement, dated  
 as of December 18, 1986, as an officer and  
an officer of Bank of Credit and Commerce  
 International, S.A., one of the companies that executed and  
 delivered such instrument, and acknowledged to me that, being  
 informed of the contents thereof, they executed and delivered  
 the same, voluntarily in their capacity as such, for the  
 purposes therein stated, on behalf of Bank of Credit and  
 Commerce International, S.A. as the free act and deed of such  
 company.

IN WITNESS WHEREOF, I have hereunto set my hand and  
 affixed my official seal this 18<sup>th</sup> day of December, 1986.

  
 Notary Public

[Notarial Seal]

My commission expires:

DAVID S. PRIMACK  
 Notary Public, State of New York  
 No. 00000000000000000000  
 County of Washington, County  
 Commission Expires March 20, 1987

DISTRICT OF COLUMBIA ) ss:

On this 18<sup>th</sup> day of December in the year 1986, before me Clara E. Bub, a Notary Public in and for said District of Columbia, personally appeared Robert A. Altman, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person whose name is subscribed to the attached Pledge Agreement, dated as of December 18, 1986, as a Managing Director of Credit and Commerce American Holdings, N.V., one of the companies that executed and delivered such instrument, and acknowledged to me that, being informed of the contents thereof, he executed and delivered the same, voluntarily in his capacity as such, for the purposes therein stated, on behalf of Credit and Commerce American Holdings, N.V. as the free act and deed of such company.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal this 18<sup>th</sup> day of December, 1986.

Clara E. Bub  
Notary Public

[Notarial Seal]

My commission expires:

Commission Expires September 20, 1988

**WITH AMENDMENTS RESULTING FROM CERTAIN  
PROSPECTIVE TRANSACTIONS**

	<u>BCCI loans 11,650 to NEFC to pay off B of A secured loan</u>	<u>NEFC pays off B of A sec. loan and receives MV \$0,000 and pledged stock BCCI loans 140,000 to [ ]</u>	<u>Interestdec CA NV sends fir of forgive- ness to NEFC for 10,000 loan</u>	<u>Interestdec USA pays remainder of parkway loan to NEFC</u>	<u>NEFC raises 25,000 in private investment market</u>	<u>NEFC repays BCCI loan</u>
Cash & Equivalent	5,346	16,996	5,366	Dr. G. Pharon.	5,366	34,616
Parkway Loan	4,250	4,250	4,250	Of these pro- ceeds Interestdec CA NV arranges to recycle 10,000 to BCCI to pay off loan on their books that enabled Interestdec NV to loan same sum to NEFC.	0	0
Investment in NEG	98,345	98,345	98,345	Also Dr. G. Phar- on Invests 5,000 in Inter- estdec USA of which 750 is to reistribute Initial instal- ment paid on parkway loan and 4,250 is to retire re- maining balance.	98,345	98,345
Other Assets	493	493	493		493	493
Intangibles	14,985	14,985	14,985		14,985	14,985
Total Assets	123,419	135,069	123,439		123,439	136,789
Due Interestdec NV	10,000	10,000	10,000		0	0
Due B of A (unsecured)	10,000	10,000	10,000		10,000	10,000
Due B of A (secured)	11,160	11,160	0		0	0
Due BCCI	0	11,650	11,650		11,650	11,650
Due Private Investors	0	0	0		0	25,000
Other Liabilities	5,319	5,319	4,849		4,849	4,849
Total Liabilities	36,479	49,129	36,499		26,499	51,699
Equity	86,940	86,940	86,940		26,940	26,940
Total Liab & Equity	123,419	135,069	123,439		123,439	136,789

THE EFFECT OF THIS SEQUENCE IS TO RECOVER THE PLEDGED BANK SHARES FROM B OF A AND TO LEAVE NEFC IN A HEALTHY POSITION TO SUPPORT ITS CAPITAL NEEDS (BECAUSE A SIGNIFICANT PORTION OF THE 25,000 PRIVATE INVESTOR LOAN WILL COUNT AS CAPITAL) AS WELL AS PROVIDING A CORPORATE CASH POSITION WHILE LEGALLY AVOIDING U.S. TAXES ON THESE TRANSACTIONS.

## PROSPECTIVE TRANSACTIONS

	At this point MBCPC should repay B.C.C.I.'s loan 11,650 to MBCPC to pay off B. of A. sec. loan and recover pledged stock <u>On 8-31-86</u>	Option signed: CCM pays Interedec GA. N.Y. \$0,980 and B.C.C.I. loans 115,000 to the same entity	MBCPC Forgives Parkway loan of 4,250 and refunds Prior 750 Payment plus rebates 1,200 IIG Tax <u>Plus Interest</u>	MBCPC repays 10,000 to Interedec GA. N.Y. <u>Plus Interest</u>	Cash Input required would be around 20,000
Cash & Equivalent	5,346	16,996	5,346	3,116	(17,341)
Parkway Loan	4,250	4,250	0	0	
Investment in NBC	98,345	98,345	98,345	98,345	
Other Assets	493	493	493	493	
Intangibles	<u>16,985</u>	<u>16,985</u>	<u>16,985</u>	<u>16,985</u>	
Total Assets	123,419	135,069	123,419	116,939	106,089
Due Interedec N.Y.	10,000	10,000	10,000	10,000	0
Due B. of A. (Unsecured)	10,000	10,000	10,000	10,000	10,000
Due B. of A. (Secured)	11,160	11,160	0	0	0
Due B.C.C.I.	0	11,650	11,650	11,650	11,650
Due Private Investors	0	0	0	0	0
Other Liabilities	<u>5,319</u>	<u>4,849</u>	<u>4,849</u>	<u>4,849</u>	<u>4,849</u>
Total Liabilities	36,479	36,499	36,499	36,499	26,499
Equity	<u>86,940</u>	<u>86,940</u>	<u>86,940</u>	<u>86,940</u>	<u>79,590</u>
Total Liab. & Equity	123,419	135,069	123,419	116,939	106,089

THE EFFECT OF THIS SEQUENCE IS TO RECOVER THE PLEDGED SHARES FROM B. OF A. BUT LEAVES MBCPC IN A POSITION OF INADEQUATE CASH AND CAPITAL (WHICH THE REGULATORS WILL REQUIRE BE REPLACED BY THE SHAREHOLDER AS SOON AS OUR NEXT QUARTERLY REPORTS ARE SUBMITTED). ADDITIONALLY ALMOST 2,000 WOULD BE PAID TO THE IRS TO SATISFY TAXES GROWING OUT OF THIS ALTERNATIVE.

11 August 1986

Mr J G Leshner,  
Chairman

Telefax No. 659 0065

Following are the answers to your questions.

- a) All the shares of NBG excluding the directors' qualifying shares are pledged; - 1,049,681 shares.
- b). Bank of America.
- c) US\$ 12,054,000/=. Latest figures available from Mr Carlson.
- d) Indebtedness is owed by NBGFC to Bank of America.
- e) Loan and pledge documents are available.
- f) None.
- g) Borrowed funds comprise subordinated debentures aggregating US\$ 2,795,000/= bearing interest between 7% and 8% per annum as per audited balance sheet for 1985.
- 2a) 600 shares (100%) of the common stock of NBGFC registered in the name of Interedec (Georgia) N.V.
- b) Amount of indebtedness secured by the above shares is under the general credit line of US\$ 80 million.
- c) Indebtedness owed by Dr. G. Pharaon, Pharaoh Holdings Ltd and associated companies to BCCI SA and BCCI (Overseas) Ltd.
- d) Pledge document already given to Mr. Robert Altman.
- e) None.
- f) Following is the indebtedness of NBGFC:
- |  |   |
|--|---|
| i) Borrowing from Bank of America  | US\$12,054,000/=(secured by NBG shares) |
| ii) Capital Note from BOA  | US\$10,000,000/=(unsecured)             |
| <hr/>  |   |
| iii) Short term loan of US\$10,000,000/= from Dr. G Pharaon repayable on 31 December 1986. | US\$22,054,000/-                        |
- 3a) Yes.
- b) To be obtained from Mr John Whitbeck.

- c) Nil.
- d) None.
- e) Nil.
- 4a) Yes.
- b) None.
- c) Nil.
- 5a) Yes.
- b) Dr. Pharaon acquired the shares of Interedec (Georgia) Limited from Pharaoh Holdings Limited in 1984.
- c) None.

You may confirm the latest position on 1c), 1g), 2f) and 4b) from Mr Carlson.

Best regards.



IMRAN M A SHAH

NBG Financial Corporation requests a loan of U.S. dollars \$12 million to be used to pay off a loan to Bank of America which is secured by approximately 1,499,000 shares of NBG (Bank) common stock. This represents all the outstanding stock of NBG (less directors qualifying shares). Book value of this stock at July 31, 1986 was approximately \$97 million (U.S.). Book value of NBGFC at that same date was approximately \$86 million (U.S.).

As stated above NBGFC would use the proceeds of this borrowing to pay off the Bank of America debt and release the shares of NBG pledged there. These shares would be shipped to BCCI for safekeeping along with shares currently held of NBGFC. This release would remove the main impediment to proceeding to closing the option/loan transactions between CCAH/BCCI/and Dr. Pharaon.

NBGFC would give BCCI an agreement not to pledge its NBG stock for the full term of the loan (which would run concurrent with the anticipated dates in the option agreement.)

Immediately after the option transaction is closed NBGFC will proceed with a private placement of approximately \$20 million in debt (unsecured) and raise sufficient cash to pay off this borrowing. This should be accomplished by year-end 1986 assuming the option is closed by end of September.

NBGFC would propose that the debt be structured to mature on June 30, 1988. This would allow the negative pledge to be in legal force until the option is exercised by CCAH. NBGFC would however agree to the following repayment schedule (outside the note).

- On or before Sept. 12 BCCI advances	\$ 12,000 million
- Upon closing of the option/loan NBGFC reduces loan by	(4,250) million
- Upon refinancing (by year end) NBGFC reduces	(7,650) million
- Upon exercise of option by CCAH (on or before June 30, 1988)	<u>(.100) million</u>
Balance	\$ - 0 -

Again, by leaving \$100,000 outstanding until the option is closed the negative pledge agreement would remain legally enforceable until the option is exercised by CCAH.

NBGFC would propose that the rate on the loan be Libor + 1% with interest billed quarterly on the outstanding. NBGFC would pay a fee of \$325,000 for this loan. (This should cover the accrued interest on the \$10 million loan BCCI advanced to Dr. Pharaon in February 1986, the proceeds of which were loaned to NBGFC by Dr. Pharaon. This loan is being converted to capital by NBGFC.)

TO: Mr. Imran M.A. Imam

RE: CCAH/NBG

1. We are advised that shares of the National Bank of Georgia ("NBG") are currently pledged as security to an unrelated party not part of the proposed transaction.
  - a. How many NBG shares are pledged?
  - b. To whom are these shares pledged?
  - c. What amount of indebtedness do the shares secure?
  - d. By whom (NBG or NBG Financial Corporation ("NBG Financial")) and to whom is such indebtedness owed?
  - e. What are the terms of the credit transaction and the pledge? Are copies of the documentation reflecting the underlying credit transaction as well as the pledge available for review?
  - f. Are the NBG shares subject to any other liens, encumbrances, security interests or other rights or restrictions that could affect their transferability?
  - g. Identify all indebtedness of NBG other than deposit liabilities.
2. We are advised that the shares of NBG Financial have been pledged to BCCI.
  - a. How many shares are so pledged?
  - b. What amount of indebtedness do these shares secure?

- 2 -

- c. By whom and to whom is such indebtedness owed?
- d. What are the terms of the credit transaction and the pledge? Are copies of the documentation reflecting the underlying credit transaction as well as the pledge available?
- e. Are the shares of NBG Financial subject to any other liens, encumbrances, security interests or other rights or restrictions that could affect their transferability?
- f. Identify all indebtedness of NBG Financial.

3. The shares of Interedec (Georgia) N.V. will be pledged under the proposed transaction.

- a. Does Interedec (Georgia) N.V. have 100 percent legal and beneficial ownership of all the outstanding shares of NBG Financial?
- b. How, when, and from whom did Interedec (Georgia) N.V. acquire the shares of NBG Financial?
- c. What was the consideration paid for such shares?
- d. Are the shares of NBG Financial subject to any other liens, security interests, encumbrances or other restrictions which would limit their transferability?
- e. Identify all indebtedness of Interedec (Georgia) N.V.

4. The shares of Interedec (Georgia) Limited will be pledged under the proposed transaction.

- a. Does Interedec (Georgia) Limited have 100 percent legal and beneficial ownership of all the outstanding shares of Interedec (Georgia) N.V.?
- b. Are the shares of Interedec (Georgia) N.V. subject to any liens, security interests, encumbrances or other restrictions which would limit their transferability?

- 3 -

c. Identify all indebtedness of Interedec (Georgia) Limited.

5. Dr. Pharaon is to pledge his shares in Interedec (Georgia) Limited under the proposed transaction.

- a. Does Dr. Pharaon have 100 percent legal and beneficial ownership of the shares of Interedec (Georgia) Limited?
- b. When, how and from whom did Dr. Pharaon acquire the shares of Interedec (Georgia) Limited?
- c. Are the shares of Interedec (Georgia) Limited subject to any liens, security interests, encumbrances or other restrictions which would limit their transferability?

~~Identify all indebtedness of Dr. Pharaon~~

1 IN THE UNITED STATES DISTRICT COURT  
2 FOR THE EASTERN DISTRICT OF VIRGINIA

4 DORIS I. SANDBERG,

5 Individually and on behalf of;  
6 other minority stockholders;

7 Plaintiff, 8 Civil Action

8 V. 8 No. 88-0299-A

9 VIRGINIA BANKSHARES, INC. et al.8

**10 Defendants.** 8

11 - - - - - - - - - - - - - - - - - x

12 Washington, D.C.

Thursday, June 23, 1966

1 company?

2 A. With reference to the 1986 transaction, we  
3 knew that we would need something over \$200 million to  
4 complete the transaction with the National Bank of  
5 Georgia.

6 We raised a portion of it in 1986. We did a  
7 second rights offering in 1987. We were only required  
8 in 1986 to come up with, I believe it was, approximately  
9 \$100 million, and those funds would either have been  
10 retained and used in connection with subsequent payments  
11 for the National Bank of Georgia or, if there were prior  
12 requirements for the funds, they would be used for those  
13 other purposes.

14 And we would do other rights offerings as  
15 further needs would arise. So there was no particular  
16 magic to the \$45 million remaining after the initial  
17 rights offering in '86.

18 Q. I would again reiterate our request for the  
19 documents that are responsive to request number four.  
20 If you believe that there is confidential or proprietary  
21 information in those documents unrelated to First  
22 American Bank of Virginia, we are certainly willing to

CABLE CLINET  
TELEX 54080 CLEY

TELEPHONE  
JRC: 620-4220

*Clifford & Waconke*  
Attorneys and Counsellors at Law  
815 Connecticut Avenue  
Washington, D.C. 20006

ROBERT A. ALTMAN

DIRECT LINE 202/328-4228

February 13, 1986

Mr. Agha Hasan Abedi  
Bank of Credit and Commerce  
International  
100 Leadenhall Street  
London, England EC3A 3AD

Dear Mr. Abedi:

In accordance with our conversation, I am enclosing the article from the Wall Street Journal which mentions Dr. Pharaon.

I trust you are well. We look forward to seeing you in the near future.

Warmest regards.

Sincerely,



Robert A. Altman

Enclosure

THE WALL STREET JOURNAL TUESDAY, FEBRUARY 11, 1986 37.

*V. Ne. Altman*

## Saudi Firm May Try to Reschedule Over \$300 Million in Bank Credits

By PETER TRUELL

Staff Reporter of THE WALL STREET JOURNAL

LONDON—One of Saudi Arabia's biggest companies, Saudi Research & Development Corp., will meet here with its creditor banks later this week to discuss rescheduling its bank debts, estimated at between \$300 million and \$350 million, a company official said.

The official, who didn't want his identity disclosed, said several major U.S. and European banks are among Redec's creditors. He declined to name the banks, but the company's creditors are believed to include Saudi American Bank, which is 40% owned by Citicorp, and Saudi Arabia's National Commercial Bank.

In New York, Citicorp declined comment.

A Saudi Arabian limited company based in the Red Sea port of Jidda, Redec is owned by the Pharaon family, with the majority of its stock held by Ghauth R. Pharaon. Mr. Pharaon, whose father, Rashad, was an adviser to Saudi Arabian King Abdul-Aziz, now lives in the U.S. for much of the year and also owns National Bank of Georgia.

Mr. Pharaon was sailing on his yacht off the Australian coast and unavailable

for comment yesterday. A Redec official said other companies owned by Mr. Pharaon aren't affected by the present difficulties at Redec. "No other entity (owned by Mr. Pharaon) is in difficulty," he said.

Bankers said Redec's difficulties are the latest in a series of problems affecting many Saudi Arabian companies. "Generally, the oil revenues in the Gulf have dropped off, causing problems across the region," said a Redec official. Bankers said Redec has invested heavily in Saudi Arabia, particularly in construction and the cement industry.

In 1983, Redec was capitalized at the current equivalent of \$274 million, and its annual turnover was estimated at \$2.75 billion. Its turnover has dropped to a fraction of that, bankers believe. In 1976 Redec entered into a major joint venture in Saudi Arabia with a subsidiary of the Parsons Corp., Pasadena, Calif., for the development of the new Red Sea industrial town of Yanbu.

A Middle East loan officer at a major U.S. bank said Redec's cement business has been especially troubled. The construction boom in Saudi Arabia has faded; most roads, buildings and other infrastructure have now been built.

AFFIDAVIT

R. LEE JENKINS, being duly sworn, deposes and states:

1. From approximately August 1985 until January 1990, I served as a member of the Board of Directors ("the Board") for First American Bankshares, Inc. ("FAB" or "the Bank"). I have also served on the Board of Directors for the National Bank of Commerce located in Memphis, Tennessee.

2. By way of background, I hold a Juris Doctorate degree from Oklahoma University as well as a Master of Laws degree from New York University. After working for the U.S. District Court, Western District of Oklahoma two years, practicing law for one year, and working for White Eagle International, Inc. for five years, I accepted a position with Plough Inc., a pharmaceutical and toiletries company located in Memphis, Tennessee. Plough Inc. subsequently merged with Schering Corporation and became known as Schering Plough Corporation. I retired from Schering Plough in December 1989 as an Executive Vice President, having completed almost twenty five years of service.

3. It was through my position at Schering Plough that I became acquainted with Mr. Clark Clifford and Mr. Robert Altman. Schering Plough is a member of the Nonprescription Drug Manufacturers Association (formerly the Proprietary Association), a trade group whose legal representative for certain matters was the law firm of Clifford & Warake. I met Mr. Clifford and Mr. Altman in connection with their representation of the Association. In 1985, at the request of Mr. Altman, I agreed to serve as a member of the FAB Board.

4. The FAB Board operated normally and properly to oversee the Bank. Its

principal purpose was to monitor the Bank and to ensure that management's direction was consistent with FAB's established policies and objectives. None of the Board's decisions were ever influenced by BCCI or its representatives.

5. At no time while serving as a member of the Board did I perceive that BCCI or its representatives were attempting to control or influence the Board's decisions pertaining to FAB or its management. To my knowledge, I have had no contacts or communications with anyone associated with BCCI. At all times, the Board's decisions were predicated upon its own independent judgment and were determined to be in the best interests of FAB.

6. During my tenure as a Board member, I never met anyone I knew to be a shareholder of the Bank. I am unaware of any pressure asserted by the stockholders over the Bank. Moreover, I have seen no evidence to suggest that Mr. Clifford or Mr. Altman prescreened bank decisions or resolutions with the shareholders or anyone associated with BCCI.

7. Throughout my tenure on the Board, I served on the Bank's Audit Committee and, for a time, chaired that function. The Committee independently reviewed the Bank's quarterly audit reports presented by the internal auditors. In addition, at each audit committee meeting, the outside directors (those not serving as salaried employees of the Bank) met separately with representative from Arthur Anderson to discuss the soundness of FAB's internal business practices and policies. We always were assured by the accountants that the Bank's financial statements were sound and properly presented.

8. With respect to the acquisition of the National Bank of Georgia ("NBG"), the Board was presented with the relevant financial data and was apprised of the status of the ongoing negotiations throughout the acquisition process. (The agreement to acquire NBG was approved by the Board of FAB's parent). One of the principal reasons for FAB's decision to acquire NBG was that NBG's central location in the southeast satisfied one of the Bank's long

term strategic objectives of expanding in the Southeast. I, and I believe the other directors, concluded that the purchase of NBG represented a unique opportunity and was in the best interests of FAB. BCCI had no influence on my conclusion, nor to my knowledge on any other director's conclusion, that the purchase of NBG was in the best interest of the First American organization. To my knowledge BCCI did not, in any respect, cause First American to acquire NBG.

9. I always have been impressed with the enthusiasm and dedication displayed by Mr. Clifford and Mr. Altman. They had a vision of greatness for the Bank, which they attempted to instill in both the managing directors and employees. Mr. Clifford and Mr. Altman helped to establish objectives for the Bank that provided for growth, safety, and long term stability. During my tenure on the Board, their actions were wholly consistent with these objectives. I have no reason to believe that Mr. Clifford and Mr. Altman were motivated by anything other than their desire to make FAB a success and am aware of no evidence and do not believe that they were influenced by BCCI.

  
R. Lee Jenkins

Subscribed and sworn to before this  
9<sup>th</sup> day of August, 1991.

  
Barbara W. Sauer  
Notary Public

My Commission Expires Oct 21  
My commission expires on \_\_\_\_\_

NAME: HBA254000

PAGE 1

1 RPTS BLAZEJEWSKI

2 DCMX STEVENS

3

4 BCCI INVESTIGATION

5

6 Wednesday, September 11, 1991

7

8 House of Representatives,  
9 Committee on Banking, Finance,  
10 and Urban Affairs,  
11 Washington, D.C.

12

13 The committee met, pursuant to call, at 9:00 a.m., in Room  
14 2128, Rayburn House Office Building, Hon. Henry B. Gonzalez  
15 [chairman of the committee] presiding.

16 Present: Representatives Gonzalez, Annunzio, Neal of  
17 North Carolina, Hubbard, LaFalce, Oakar, Vento, Barnard,  
18 Schumer, Frank, Erdreich, Torres, Kleczka, Kanjorski,  
19 Kennedy, Hoagland, Neal of Massachusetts, Waters, LaRocco,  
20 Orton, Bacchus, Moran, Cox, Weiss, Slattery, Ackerman,  
21 Wylie, Leach, McCollum, Roukema, Bereuter, Ridge, Roth,  
22 McCandless, Stearns, Paxon, Duncan, Campbell, Hancock,  
23 Riggs, Nussle, Arney, Thomas, Johnson and Sanders.

NAME: HBA254000

PAGE 89

1857 RPTS BLAZEJEWSKI

1858 DCMN SISSON

1859 I said already, that sounds right. The bylaws of CCAH,  
1860 that is the top holding company of First American, provided  
1861 for that very arrangement. So in 1986, we had a very large  
1862 stock offering of \$150 million. It was not fully  
1863 subscribed, so that gave me the chance to come in and  
1864 acquire \$9 million worth of the stock and Mr. Altman, half.

1865 I won't keep referring to him because he got half of what  
1866 I did at the time. We bought it at the same price as the  
1867 other shareholders. We bought it under the bylaws of the  
1868 company. We got the consent of the other directors of CCAH  
1869 just to be sure we got it in writing so it would be there in  
1870 the record. So we acquired that first holding of stock.

1871 Now, in attempting to work out the details of it, again an  
1872 area in which we were not too familiar, we turned first to a  
1873 bank in France that we knew, the Banque Arabe et  
1874 Internationale d'Investissement, called BAI.

1875 The reason we knew them was because they had made a loan  
1876 of \$50 million to the investor, that is CCAH, at the very  
1877 beginning of the purchase of the stock. We have since paid  
1878 it down now to where it is only \$10 or \$11 million.

1879 Mr. Altman had gotten to know Mr. Bradshaw of that bank in  
1880 working out all the details. We brought in our New York  
1881 counsel, as we did from time to time, the Wachtell, Lipton

NAME: MBA254000

PAGE 90

1882 firm and said, see if you can work out an arrangement with  
1883 BAI Bank in Paris. We would like to borrow the money to  
1884 make these stock purchases that we can make.

1885 Our New York counsel advised us that under the  
1886 circumstances, particularly at my age, because this was 1986  
1887 and I was 80 then, and they said, Mr. Clifford, let's see if  
1888 we can't make a loan with a nonrecourse note. It doesn't  
1889 make any sense for you at your age to enter into a situation  
1890 where you acquire rather substantial debt and then it is  
1891 left to your estate, your expectancy is very problematical,  
1892 and I understood that.

1893 So they tried to work that all out with the French people  
1894 and they had some ideas that weren't appealing at all. They  
1895 wanted a big payment on their loan at the very beginning,  
1896 which didn't appeal to us.

1897 When our New York firm was unable to work out the deal  
1898 with BAI, I then spoke to Mr. Abedi and said we would like  
1899 to borrow the money to pay for the stock, you know, that Mr.  
1900 Altman and I are acquiring.

1901 And we are acquiring it at book, and it seems to me that  
1902 the value is there, and I think you would be totally  
1903 protected if you were to lend us the money based upon the  
1904 value of the stock. He says that would not bother me at  
1905 all, I have no qualms about it. I know the stock, I know  
1906 the number in inquiries that I get from others, from other

ragu 4

ORIGINAL

UNITED STATES DISTRICT COURT  
MIDDLE DISTRICT OF FLORIDA  
TAMPA DIVISION

UNITED STATES OF AMERICA,	)	CASE NO.: 88-330-Cr-T-13
Plaintiff,	)	
)	)	
vs.	)	Tampa, Florida
AMJAD AWAN,	)	April 3, 1990
SYED A. HUSSAIN,	)	9:00 O'Clock A.M.
AKBAR A. BILGRAMI,	)	
SIBTE HASSAN,	)	
IAN HOWARD, and	)	
RUDOLF ARMBRECHT,	)	
Defendants.	)	

VOLUME XLV  
TRANSCRIPT OF TRIAL PROCEEDINGS  
BEFORE THE HONORABLE WM. TERRELL HODGES  
UNITED STATES DISTRICT JUDGE, and a jury

Court Reporter: Carol J. Jacobs, RPR, CP  
Official Court Reporter  
Post Office Box 1568  
Tampa, Florida 33601  
(813) 223-3025

Proceedings recorded by mechanical stenography;  
computer-assisted transcription.

## 1 INDEX

2 VOIR

3 WITNESS FOR GOVERNMENT: DIRECT CROSS REDIRECT RECROSS DIRE

## 4 Robert Mazur

5 by Mr. Jackowski	13
6 by Mr. Lazzara	17
7 by Mr. Hogan	24
8 by Mr. Jackowski	25
9 by Mr. Lazzara	81
10 by Mr. Jackowski	85
11 by Mr. Hogan	92
12 by Mr. Jackowski	94
13 by Mr. Hume	103
14 by Mr. Doherty	104
15 by Mr. Jackowski	108

16

17

18

19

20

21

22

23

24

25

1 Now, directing your attention, sir, to page 24 of  
2 the transcript, starting at the top of that page, sir, the  
3 first statement attributed to you, through approximately  
4 one-third of the way down, the words attributed to you, "And  
5 not having full support," what did you understand that passage  
6 between yourself and Mr. Bilgrami to mean, sir?

7 A. I told Mr. Bilgrami that the reason I had come to the  
8 bank was because of the fact that Mr. Hussain had -- beside  
9 stating that I had his support and the support of specifically  
10 others, Mr. Awan and Mr. Bilgrami, that I was also told that I  
11 had the support of the bank. That's what the interchange is  
12 about.

13 Q. The support of the bank relative to what, Agent Mazur?

14 A. Their support of my conducting these types of  
15 transactions, these transfers of funds that had come from the  
16 pickups through the bank.

17 Q. Now, do you notice below that, sir, on that particular  
18 page, that there's a reference -- or reference is made by Mr.  
19 Bilgrami to a credit policy of the board -- of the bank?

20 A. Yes, sir.

21 Q. In the context of that particular passage, sir, on  
22 page 24, what did you understand Mr. Bilgrami to be telling  
23 you?

24 A. That this bank, as others, had a policy that related to  
25 the lending of funds to customers. And that's what he's

1 talking about when he speaks of a credit policy.

2 Q. Now, at the top of -- directing your attention to  
3 page 25, sir, starting at the top of that page, sir, through  
4 approximately one-half of the way down that page, where there  
5 is the word "Right" attributed to you --

6 A. Yes, sir.

7 Q. -- what did you understand Mr. Bilgrami to be telling you  
8 at this passage in the conversation, sir?

9 A. That with regard to the transactions I was conducting at  
10 the bank, that there was no support within the institution,  
11 that these types of transactions, when conducted through the  
12 bank, were evaluated on a case-by-case basis, and that if the  
13 bank and its board knew the details of the transactions, they  
14 would probably disapprove it and would not want it to be done  
15 through the bank.

16 Q. When Bilgrami says, "If you were to give too many details  
17 to superiors" -- do you see that passage approximately  
18 one-third of the way down?

19 A. Where it says, "If they were, they might say no"? I see,  
20 "so" -- no, no, above it.

21 Q. Above it.

22 That passage, as well the one that you just  
23 referenced, that "If they were, they might say no."

24 When Bilgrami is telling you those things, Agent,  
25 what did you understand Bilgrami to mean when he made the

1 statement, "Too many details to superiors" and "they are not  
2 aware of anything with you in these transactions"?

3 A. If they knew the true circumstances of the transaction,  
4 the fact that it related to the pickups, the transfers of the  
5 funds to the clients, rather than what the transactions were  
6 being made to appear like from the structuring of them in the  
7 way that had been suggested by Mr. Hussain, Awan, and  
8 Bilgrami.

9 Q. Now, immediately underneath that passage, sir, do you see  
10 the word "referred" approximately one-half of the way down the  
11 page? Bilgrami says, "But it has to be referred because your  
12 borrowing requirements are going now higher"?

13 A. At the beginning of a sentence?

14 Q. One-half of the way down the page, Bilgrami says to you,  
15 "Let me tell you frankly." Do you see that, sir?

16 A. Yes, I do.

17 Q. And within that sentence there is the word "referred"?

18 A. Yes, sir.

19 Q. What he is telling you has to be referred, Agent Mazur?

20 MR. LAZZARA: Excuse me, Judge, I object to what he  
21 was telling him. It is on the transcript. What his  
22 understanding was --

23 THE COURT: Yes -- well, again, that's my  
24 understanding of the essence of counsel's questions in this  
25 line.

1                   What was your understanding at the time of what was  
2 being conveyed by that statement, Agent Mazur, is the  
3 question.

4                   THE WITNESS: That the relationship with me had to  
5 be taken to the board, referred, or brought by an officer, by  
6 the officers with whom I was dealing.

7 BY MR. JACKOWSKI:

8 Q. Why?

9 A. Because of the fact that the way the transactions had  
10 been structured, the bank's credit policy required a review of  
11 the relationship by the board with the officers who were  
12 maintaining the relationship with me as their client.

13 Q. Did the amount of the transactions that were being  
14 contemplated have anything to do with this referral, as  
15 Mr. Bilgrami conveyed it to you, Agent?

16 A. Yes, sir.

17 Q. What did it have to do with it?

18 A. When the borrowing came to a limit of ten million dollars  
19 or higher, this triggered a necessity for that type of a  
20 referral.

21 Q. All right.

22                   Now, directing your attention, sir, to page 26,  
23 approximately one-half or one-third of the way down that page,  
24 there is the words attributed to Mr. Bilgrami, "And they're  
25 different people." Do you have that passage, Agent?

1 A. Yes, sir.

2 Q. From there, sir, through the words "Okay, essentially,"  
3 approximately three-quarters of the way down that page, what  
4 did you understand Mr. Bilgrami to be telling you in that  
5 passage, Agent?

6 A. That it was the bank's policy to shy away or to stay away  
7 from these types of transactions, because, as Mr. Bilgrami  
8 characterized them, that they were not clear.

9                 Based on his other discussions later, using that  
10 same term relative to the CTR and filing requirements, I  
11 understood that his --

12 MR. LAZZARA: Excuse me, Judge. I object to him  
13 basing his understanding on something that happened after he  
14 had the conversation, because I don't think that's humanly  
15 possible.

16 THE COURT: Yes, I'll sustain that objection.

17 Put another question, Mr. Jackowski.

18 BY MR. JACKOWSKI:

19 Q. With reference -- did you in fact have discussions with  
20 Mr. Bilgrami concerning CTRs in this very conversation?

21 MR. DOHERTY: I would object to that as being  
22 leading, Your Honor.

23 THE COURT: No, I'll overrule that objection.

24 That's in the nature of a developing question under 611(c).

25 BY MR. JACKOWSKI:

1 Q. Did you?

2 A. Yes, sir.

3 Q. Did that happen somewhat later in this particular

4 transcript?

5 A. Yes, sir.

6 Q. And was that in fact published to the jury?

7 A. Yes, sir.

8 Q. Did you hear those words when they were published to the

9 jury?

10 A. Yes.

11 Q. Now, at this point in the conversation, I want to know

12 what you understood Bilgrami to mean when he told you the

13 transactions are not very clear.

14 A. I took that to be his very cautious way of saying that

15 they were illegal.

16 Q. In what sense, sir? In what regard? Why?

17 A. Because of the source of the funds.

18 Q. Now, directing your attention, sir, to the bottom of this

19 page, the last statement attributed to Mr. Bilgrami. Do you

20 see the words contained within that statement, "The board has

21 a very clear policy against it"?

22 A. Yes, sir.

23 Q. Mr. Bilgrami is telling -- as Bilgrami is telling you

24 that, sir, what did you understand him to mean?

25 A. Against conducting these transactions.

1 Q. Now, directing your attention to page 27, do you see that  
2 first statement at the top of that page attributed to  
3 Mr. Bilgrami?

4 A. Yes, I do.

5 Q. It starts out with the words "We feel"?

6 A. Yes.

7 Q. From there, sir, through the second statement attributed  
8 to Mr. Bilgrami that starts with the words, "They are done on  
9 a case-by-case basis."

10 As Bilgrami was telling you that, sir, what did you  
11 understand him to mean?

12 A. That these types of transactions were weighed for their  
13 potential liability.

14 Q. Weighed by whom?

15 A. Weighed by those who were involved in the transaction.

16 Q. Now, directing your attention to approximately one-third  
17 of the way down this page, do you see the statement attributed  
18 to Bilgrami, "So, we are not interested in your clients"?

19 A. Yes.

20 Q. What did you understand Bilgrami to be conveying or  
21 telling you there, sir?

22 A. That he didn't want details relative to the activities of  
23 the clients.

24 Q. Had you heard this before from any other defendant in  
25 this room prior to that time?

1 make it an immediate request, but that they would give me time  
2 to -- he used the term "dismantle," but give me time to slowly  
3 withdraw from the bank.

4 Q. Now, directing your attention, sir, to page 30 of the  
5 transcript, approximately one-half of the way down that page,  
6 do you see the "uh,huh" attributed to you, sir?

7 A. Yes, sir.

8 Q. Okay.

9 Now, my question is immediately after that there's a  
10 statement attributed to Mr. Bilgrami; correct?

11 A. Yes -- that's the first time I say "uh,huh"?

12 Q. Yes, sir. Approximately one-half of the way down that  
13 page.

14 A. Okay.

15 Q. My question to you is from there through the balance of  
16 page 30, sir, through approximately one-third of the way down  
17 page 31, where there is a statement attributed to you that  
18 starts out with an "uh,huh" but then goes on to say "Okay.  
19 Well, I appreciate the candor," my question to you there,  
20 Agent, is what did you understand Mr. Bilgrami to be telling  
21 you or conveying to you in that passage?

22 A. Mr. Bilgrami was explaining to me that through him and  
23 through others, this relationship with me was being maintained  
24 despite the policy in the bank, but that if at a later time he  
25 or Mr. Awan decided that this wouldn't be advisable, that they

1 would give me, again, ample time to dismantle the relationship  
2 with the bank so I could handle the transactions in another  
3 way.

4 Q. When he tells you that "there's a clear-cut defined  
5 policy of the bank, like all other banks, to keep a arm's  
6 length from these transactions," what did you understand him  
7 to be conveying to you, sir?

8 A. That there clearly was a policy by the bank not to get  
9 involved in the type of transactions which were involved in  
10 illegal transactions.

11 Q. Now, there's a lot of discussion in this transcript, sir,  
12 at various pages about "nests" and "eggs" and "baskets."  
13 Without directing your attention to all of those specific  
14 references, what did you understand Bilgrami to be conveying  
15 to you in those statements that he made to you about "nests,"  
16 "eggs," and "baskets"?

17 A. The "nest" would be the bank at which the moneys would be  
18 put. The "eggs" would be the funds that I had at my disposal  
19 from my clients.

20 Q. Now, specifically directing your attention now, Agent, to  
21 page 34 of the transcript, do you see there's a statement  
22 attributed to Mr. Bilgrami approximately one-quarter of the  
23 way down that page that starts with the words, "And I think  
24 you"?

25 A. Yes.

# 1st AMERICAN

FIRST AMERICAN BANK OF NEW YORK

To: Money Transfer Ave

Date: December 23, 1986

INSTRUCTIONS RECEIVED BY:

- LETTER
- TELEX
- TELEPHONE

TO THE DEBIT OF:

Credit and Commerce American  
Holdings, N.Y.

A/C NO. [ 11295001 ]

PLEASE PAY:

Security Pacific Int'l. N.Y.

AMOUNT: \$29,000,000

VALUE: 12/23/86 (12/23/86)

FUND:  CHECK  FF  SDF

REF: Deposit for thirty (30) days.

FOR ACCOUNT OF:

Bank of Credit and Commerce Int'l.  
(Overseas) Ltd. A/C 070-12001  
For A/C ICIC (O) Ltd.

INITIATING DEPT.: Onl.

APPROVED BY: AUTHORIZED SIGNERS

CHIPS 056573  
SNS

*[Signature]*  
Authorized Signature*[Signature]*  
Authorized Signature

PAGE REF. 8      AMOUNT  
 12/21/86 COMPLETE C.R. 00094 CR00095901 129,000,000.00  
 THE NATIONAL DEVELOPMENT BANK  
 PO BOX 1359  
 INTERNATIONAL DIVISION  
 GEORGETOWN, GRAND CAYMAN ISLANDS  
 00103200      00 CREDIT 00      00 ADVICE 00      (U)  
 125835  
 BANK AMERICA INTERNATIONAL  
 BANK OF CREDIT AND COMMERCE INT'L  
 (OVERSEAS) LTD.  
 P.O. BOX 1359  
 GEORGETOWN, GRAND CAYMAN ISLANDS  
 ADV'TC/P. METHOD: MAIL  
 F633480068007 X  
 001032001  
 000069  
 SWK-BK OF CREDIT & COMMERCE INT'L LTD BNF-SHEIDH KOMA  
 LED SALES BIRMINGHAM QSL-0/07012001  
 01259 071414 13:12:44 SMARTMC1 SMARTMC  
 000069  
 \* THIS DOCUMENT AND OTHER ITEMS ARE SUBJECT TO FINAL PAYMENT AND OTHER PROVISIONS OF  
 THE NEW YORK LAW ON COMMERCIAL CODE  
 DATE 07012001 C.R. PAGE REF. 8      AMOUNT  
 12/23/86 COMPLETE C.R. 00094 CR00095901 129,000,000.00  
 CREDIT & COMMERCE AMERICAN HOLDINGS INC 00103200      00 CREDIT 00  
 PIETER MAAI 6      00 ADVICE 00      (U)  
 WILLIENSTAD CURACAO  
 NETHERLANDS ANTILLES  
 FIRST AMERICAN BANK OF NEW YORK 00A 0616  
 125835  
 BANK OF CREDIT AND COMMERCE INT'L  
 (OVERSEAS) LTD.  
 P.O. BOX 1359  
 GEORGETOWN, GRAND CAYMAN ISLANDS 07012001  
 ADVICE METHOD: MAIL  
 D1223 A23M016002  
 SN BBK-B.C.C.I. OVERSEAS LTD AC0070 12001 BNF-[CIC] (O) LT  
 BEK-B.C.C.I. OVERSEAS LTD AC0070 12001 BNF-[CIC] (O) LT  
 061-DEPG517 FOR 30 DAYS  
 00459 050573 11:45:54 SMARTMC1 XC807G

		PARTS REF #	AMOUNT
12/23/86	07012001 CRO		
BANK OF CREDIT AND COMMERCE INT'L LTD. P.O. BOX 1359 GEORGE TOWN, GRAND CAYMAN ISLANDS	COMPLETE	FR 0003 \$15,000,000.00	125835 CREDIT ID: 6 ACC NO: 1 V CHIPS ID: V
		125835	15,000,000.00
		00101000	00 CREDIT 00 00 ADVICE 00
		07012001	

SACB1-REF. FX. 193420

		PARTS REF #	AMOUNT
01648	091926	15:38:18	008067
• CABLE ADV P41 AND OTHER ITEMS ARE SUBJECT TO BANK PAYMENT AND OTHER PROVISIONS OF THE WIRE TRANSFER COMMERCIAL CODE			
12/23/86	07012001 CRO	FR 0003	FR000003501
DUE FROM FEDERAL RESERVE BANK	\$15,000,000.00		145,000,000.00
		00101000	00 CREDIT 00 00 ADVICE 00
		125835	
		CREDIT ID: 6 ACC NO: 1 V CHIPS ID: V	

FIRST AMER WASH

BANK OF CREDIT AND COMMERCE INT'L LTD. P.O. BOX 1359 GEORGE TOWN, GRAND CAYMAN ISLANDS	COMPLETE	FR 0003	125835
ADVICE METHOD: MAIL			
/CABLE ADV P41 BANK OF CREDIT AND COMMERCE INT'L OVERSEAS LTD ACC ID: 6 V CHIPS ID: V GEORGE TOWN, GRAND CAYMAN ISLANDS FFC: FIRST AMERICAN BANKSHARES, INC. WASHINGTOM DC ATTN: S.M. AKBAR			

0067	13:21:	SMARTPA	SMARTKO	008068
------	--------	---------	---------	--------



**INTERNATIONAL CREDIT AND INVESTMENT COMPANY (OVERSEAS) LTD.**  
 Incorporated in Grand Cayman  
 P.O. BOX 3168, GEORGE TOWN, GRAND CAYMAN, CAYMAN ISLANDS, B.W.I.

To \_\_\_\_\_

Date 23rd December, 1986

Credit and Commerce American  
Holdings NV

Our Ref. No. 20303

No 005219

WE CONFIRM HAVING RECEIVED/RENEWED THE FOLLOWING DEPOSIT:

Amount	<u>US Dollars Twenty Nine Million ONLY</u>		
US\$29,000,000.00			

Value	Period	Maturity	Rate	Interest payable on maturity
<u>23.12.86</u>	<u>30 days</u>	<u>22.01.87</u>	<u>8.00 % p.a.</u>	<u>US\$193,333.33</u>

For International Credit and Investment Company (Overseas) Ltd.

*Iqbal Hassan*

Authorized Signature

*Chowdhury*

Authorized Signature



**INTERNATIONAL CREDIT AND INVESTMENT COMPANY (OVERSEAS) LTD.**  
*Incorporated in Grand Cayman*  
 P.O. BOX 2168, GEORGE TOWN, GRAND CAYMAN, CAYMAN ISLANDS, B.W.I.

To

Credit and Commerce American  
 Holdings NV

Date 23rd December, 1986Our Ref. No. 20303No. 005219

WE CONFIRM HAVING RECEIVED/RENEWED THE FOLLOWING DEPOSIT:

Amount	<u>US Dollars Twenty Nine Million ONLY</u>	
<u>US\$29,000,000.00</u>		

Value	Period	Maturity	Rate	Interest payable on maturity
<u>23.12.86</u>	<u>30 days</u>	<u>22.01.87</u>	<u>8.00 % p.a.</u>	<u>US\$193,333.33</u>

For International Credit and Investment Company (Overseas) Ltd

Authorized Signature

Authorized Signature

*Credit and Commerce American Holdings, N.V.*  
*Pietermaai 6, Willemstad*  
*Curaçao, Netherlands Antilles*

December 29, 1986

*Federal Express*  
**RECEIVED**

JAN 15 1987

Mr. Ajiaz M. Afridi  
 Executive Vice President  
 First American Bank of New York  
 350 Park Avenue  
 New York, New York 10022

**FIRST AMERICAN BANK  
 INTERNATIONAL DIVISION**

**Re: Account of Credit and Commerce American  
 Holdings, N.V. (#11-29-5001)**

Dear Mr. Afridi:

This is to confirm our verbal instructions of December 23, 1986 that the following wire transfers be made from the above-referenced account:

- (1) U.S. \$45,000,000 to the First American Bank, N.A. (Washington) for account no. 600600600 of Credit and Commerce American Holdings, N.V.
- (2) U.S. \$29,000,000 to Bank of Credit and Commerce International (Overseas) Limited, Grand Cayman, to be held by ICIC (Overseas) Ltd. for the account of Credit and Commerce American Holdings, N.V.

We appreciate your attention to these transfers. Kindly send written confirmation.

Sincerely,

Robert A. Altman  
 Managing Director and Secretary

1ST AMERICAN  
First American Bankshares Inc.

AMERICAN BANKSHARES INC.  
EXECUTIVE - TO PRESIDENT

January 14, 1987

Mr. S. M. Akbar  
General Manager  
Bank of Credit & Commerce International  
(Overseas) Limited  
P. O. Box 1359  
Georgetown, Grand Cayman

Dear Mr. Akbar:

Attached are the account opening forms, duly completed by First American Bankshares, Inc. for your records.

For future transactions etc., please get in touch directly with Vincent Scuffone, S.V.P. & Treasurer in our Holding Co.

With regards,

Yours sincerely,

(A)

AA:qf  
cc: A. Vincent Scuffone

BANK OF CREDIT AND COMMERCE INTERNATIONAL  
PARIS - LONDON - NEW YORK - MUNICH - ZURICH - VIENNA - TOKYO - SINGAPOREFirst American Bankshares, Inc.

Somewhat Signature

JACK W. REDDOW
BLOCK CAPITALS


A. VINCENT SCOFFONE
BLOCK CAPITALS


BLOCK CAPITALS


BLOCK CAPITALS


000-0-00-0  
000



Bank of America and its Affiliates, Division of Consumer Lending

1000  
2000  
3000

BRANCH \_\_\_\_\_ STATE \_\_\_\_\_

If you already have an Account with this Branch, please quote the Account No. \_\_\_\_\_

## Indicate type of Account required

- |                                     |                                 |   |                                    |
|-------------------------------------|---------------------------------|---|------------------------------------|
| <input checked="" type="checkbox"/> | CURRENT                         | - | Please complete PART A             |
| <input checked="" type="checkbox"/> | DEPOSIT SAVINGS                 | - | Please complete PART A             |
| <input checked="" type="checkbox"/> | TERM DEPOSIT                    | - | Please complete PARTS A and C      |
| <input type="checkbox"/>            | LIMITED COMPANY                 | - | In addition please complete PART B |
| <input type="checkbox"/>            | PARTNERSHIP                     | - | In addition please complete PART D |
| <input type="checkbox"/>            | CLUB, SOCIETY or<br>ASSOCIATION | - | In addition please complete PART E |
| <input type="checkbox"/>            | JOINT                           | - | In addition please complete PART F |
| <input type="checkbox"/>            | INDIVIDUAL                      |   |                                    |
| <input type="checkbox"/>            | PROPRIETORSHIP                  |   |                                    |

## Indicate type of operation required

- |                                     |                                 |   |                                    |
|-------------------------------------|---------------------------------|---|------------------------------------|
| <input checked="" type="checkbox"/> | LIMITED COMPANY                 | - | In addition please complete PART B |
| <input type="checkbox"/>            | PARTNERSHIP                     | - | In addition please complete PART D |
| <input type="checkbox"/>            | CLUB, SOCIETY or<br>ASSOCIATION | - | In addition please complete PART E |
| <input type="checkbox"/>            | JOINT                           | - | In addition please complete PART F |
| <input type="checkbox"/>            | INDIVIDUAL                      |   |                                    |
| <input type="checkbox"/>            | PROPRIETORSHIP                  |   |                                    |

**PART A**

## Name

 First American Bankshares, Inc.

Business name

## Permanent Address

<input checked="" type="checkbox"/>	<u>First American Bank Building</u>
<input checked="" type="checkbox"/>	<u>15th and H Streets, NW</u>
<input checked="" type="checkbox"/>	<u>Washington, DC 20005</u>
<input type="checkbox"/>	

## Alternative correspondence address (if required)

<input checked="" type="checkbox"/>	

Currency of Account U.S. Dollars

Nature of Business/Profession

Bank Holding Company

Telephone:

 Office 505-575-1100  
Country of residence United States

Residence

 Home 505-575-1100  

How often is a Statement required?

monthly

MESSAGE # 6  
DI: 100 ; WUTCD 6A;  
WUTCD 6A

3094355"  
FR AMBKSH WS4R

8105193 EST 1037 JAN/21/1987

4355 ICICGC CPMSS 9  
TO: MANAGER  
ICIC

REI 30 DAY CERTIFICATE OF DEPOSIT (MATURING 22 JAN. 1987)  
CREDIT AND COMMERCE AMERICAN HOLDINGS, N.V. (CCA-)

CCAH PRESENTLY HOLDS A 30 DAY ICIC CERTIFICATE OF DEPOSIT (U.S. DLR. 23,000,000) DUE TO MATURE 22 JANUARY 1987.

THIS IS TO AUTHORIZE AND INSTRUCT THAT, UPON MATURITY, THE FOLLOWING DISPOSITION OF FUNDS BE MADE BY WIRE TRANSFER, VALUE 22 JANUARY 1987:

(1) U.S. DLR. 27,992,986.59 TO CREDIT AND FINANCE CORPORATION LTD., GRAND CAYMAN, LAGER REFERENCE "SKA/CCA-", IN REPAYMENT OF A LOAN TO CCAH; AND

(2) THE BALANCE OF THE FUNDS REMAINING (INCLUDING INTEREST ON THE CDA) TO FOREST AMERICAN BANK OF NEW YORK FOR THE CREDIT OF CDA# (ACCT. NO. 11 29 5000) (ATTN: TAYIR ZAFAR).

KINDLY PROVIDE WRITTEN CONFIRMATION BY RETURN TELEX.

SINCERELY,

ROBERT S. ALTMAN  
MANAGING DIRECTOR AND SECRETARY (CCA-)  
WATSON, CCAH

CC: MR. R. S. ALTMAN (CCA-)  
S. A. ZAFAR (CCA-)  
-305 REPORT TO....  
TAYIR ZAFAR  
  
TEL: 202/328 5000  
SUBJ: CDA FEDS - CDA# 11-29-5000 CDA- 3-77

**INTERNATIONAL CREDIT AND INVESTMENT COMPANY (OVERSEAS) LTD.**  
 Incorporated in Grand Cayman  
 P.O. BOX 2168, ICIC HOUSE, NORTH CHURCH STREET, GRAND CAYMAN, CAYMAN ISLANDS, B.W.I.

21st January, 1987

Mr. Ajaz Afridi  
 Executive Vice President  
 1st American Bank of New York  
 350 Park Avenue  
 New York, N.Y. 10022-6094  
 USA

Dear Mr. Afridi:

As you may recall, an amount of US\$ 29,000,000.00 was placed with us December, 1986.

I enclose an account opening form and an indemnity form which I shall be grateful if you would kindly complete and return to me as per your convenience.

Regards,

*Afzal Dossani*

A. H. DOSSANI  
 MANAGER

AHD/dsc

Encls.

RECD. 11/ED

1/237

1ST AMERICAN BANK  
 EXCHANGE DIVISION

DCU

**INTERNATIONAL CREDIT AND INVESTMENT COMPANY (OVERSEAS) LTD.**  
*Incorporated in Grand Cayman*  
**P.O. BOX 2168, ICIC HOUSE, NORTH CHURCH STREET, GRAND CAYMAN, CAYMAN ISLANDS, B.W.I.**

23rd January, 1987

Mr. A. Vincent Scuffone  
Senior Vice President and Treasurer  
First American Bank Building  
15th and H Street North West  
Washington DC 20005  
USA

Dear Mr. Scuffone:

Reference our conversation of 22nd January, 1986, I am pleased to confirm acceptance of a placement of US\$ 45,000,000.00 from 23rd January, 1986 to 23rd March 1986 @ 6 3/8%.

Interest due upon Maturity will be US\$ 478,125.00.

Further, I enclose an Account Opening Form and an Indemnity Form which I shall be grateful if you would kindly have signed and returned to me.

With Regards,

Yours sincerely,

*A. H. Dossani*  
A. H. DOSSANI  
MANAGER

AMD/dsc

Enclosure

February 2, 1987

The Manager  
International Credit and Investment  
Company (Overseas) Ltd.  
P.O. Box 2168  
Grand Cayman  
Cayman Islands, B.W.I.

Re: Account No. 20303

Dear Sir:

This is a letter of instructions authorizing you to accept our instructions by telephone and act in accordance with the same.

We agree not to hold you responsible for any loss incurred by any delay in carrying out our telephone instructions. Further we agree to indemnify you for any loss incurred due to your carrying out our verbal instructions.

This authority will be valid until revoked in writing by us and written confirmation of receipt of revocation is received by us.

The persons whose instructions you are empowered to accept are:

1. A. Vincent Scuffone, Senior Vice President and Treasurer
2. Jack W. Beddow, Executive Vice President and Secretary

Sincerely,

A. Vincent Scuffone  
Senior Vice President and Treasurer

Jack W. Beddow  
Executive Vice President and Secretary

AVS/mei

52 - 727 (529)



February 19, 1987

Mr. J. Lesher  
 Clifford and Warnke  
 815 Connecticut Avenue, N.W.  
 Suite 1200  
 Washington, D.C. 20006

Dear Mr. Lesher:

I am enclosing forms received from Mr. A.H. Dossani from the International Credit and Investment Company (Overseas) Ltd. which may be returned to them after being duly completed.

Do let me know if you require any clarification.

With best regards, I am,

Sincerely yours,

A handwritten signature in black ink, appearing to read "Mansoor Shafi".

Mansoor Shafi  
 Vice President

MS:cc

380 Park Avenue • New York, N.Y. 10022-0004

Telephone (212) 750-0000 Telex 427304 FAIRVIEW 01 • 427304 FAIRVIEW 02 (PARIS) CABLE FAIRBANKS NYCE

RQ 20 37



INTERNATIONAL DIVISION

March 16, 1987

Mr. J. Griffin Lesher  
Clifford & Warneke  
Attorneys and Counsellors at Law  
815 Connecticut Avenue  
Washington, D.C. 20006

Dear Mr. Lesher:

As per our telephone conversation of today and in response to your inquiry, enclosed please find original advice of your USD29 million deposit with International Credit and Investment Company (Overseas) Ltd., Cayman Island as of December 23, 1986.

Pleased to be of any assistance to you.

Regards,

*[Signature]*  
Queta Fernandez  
Int'l Banking Assistant

Encl.

350 Park Avenue • New York, N.Y. 10022-0004

Telephone 212 750-0000 Telex 47004 PACIFIC 11 • 47004 PACIFIC 77 (PARIS) 47004 PACIFIC 577

SCA MAR 16 17-11  
248556 CLEY UR  
4355 ICICGC CP

16.3.87

GCM/AHD

CC ROBERT ADLTMAN  
MANAGING DIRECTOR  
AND SECRETARY

MARY BARENDESE  
ERNST AND WHINNEY  
NEDERLAND

RE: CREDIT AND COMMERCE AMERICAN  
HOLDINGS N.V. (CCAH).

IN CONNECTION WITH YOUR AUDIT OF CCAH AT THE REQUEST OF OUR  
CLIENTS, WE CONFIRM THAT THE FOLLOWING PLACEMENT WAS MADE WITH  
US VIA FIRST AMERICAN BANK OF NEW YORK FOR AND ON BEHALF AND  
FOR THE BENEFIT OF CCAH.

DATE	AMOUNT	MATURITY	INTEREST
23 DEC 1986	US\$29,000,000.00	22 JAN 1987	8 PCT

REGARDS.

A. H. DOSSANI  
MANAGER  
ICIC (OVERSEAS) LTD  
GRAND CAYMAN.

248556 CLEY UR  
4355 ICICGC CPEEO



**INTERNATIONAL CREDIT AND INVESTMENT COMPANY (OVERSEAS) LTD.**  
*Incorporated in Grand Cayman*  
 P.O. BOX 2168 ICIC HOUSE, NORTH CHURCH STREET, GRAND CAYMAN, CAYMAN ISLANDS, B.W.I.

26th March 1987

Mr. A. Vincent Scoffone,  
 Senior Vice President & Treasurer,  
 First American Bankshares, Inc.,  
 First American Bank Building,  
 15th & H Streets, N.W.,  
 Washington D.C. 20005,  
 U.S.A.

Dear Mr. Scoffone,

I refer to my letter of 23rd January 1987, and our conversation of today.

- (3) The placement of US\$45,000,000 was accepted from 23rd January 1987 to 23rd March 1987 at 6 3/8%. Interest due on 23rd March for 59 days should be US\$470,156.25 and not US\$478,125.00.
- (4) The Principal plus interest totalling US\$45,470,156.25 has been rolled over from 23rd March 1987 to 22nd May 1987 for 60 days at 6 5/8%.

Interest due upon maturity will be US\$502,066.31.

I apologise for the error and regret any inconvenience caused.

With regards

Yours sincerely,

*A.H. Dossani*  
 A.H. Dossani  
 Manager

\* AHD/srs

Telex to ICIC (Overseas) Ltd., Grand Cayman, 309-4355

TO: MR. A.H. DOSSANI  
INTERNATIONAL CREDIT AND COMMERCE INVESTMENT [OVERSEAS] LTD.  
GRAND CAYMAN, CAYMAN ISLANDS

FROM: A. VINCENT SCOFFONE, SENIOR VICE PRESIDENT AND TREASURER  
FIRST AMERICAN BANKSHARES, INC.

SUBJECT: USDLRS 45,972,222.56 CD DUE MAY 22, 1987

DATE: MAY 18, 1987

IN ACCORDANCE WITH OUR TELEPHONE CONVERSATION OF MAY 18, 1987, THIS TELEX CONSTITUTES YOUR WRITTEN AUTHORIZATION TO TRANSFER THE FULL AMOUNT OF PRINCIPAL AND INTEREST OF FIRST AMERICAN BANKSHARES, INC. CERTIFICATE OF DEPOSIT IN THE AMOUNT OF USDLRS 45,972,222.56 WHICH WILL MATURE ON MAY 22, 1987 TO FIRST AMERICAN BANKSHARES, INC. ACCOUNT NO. 3-033-414 AT FIRST AMERICAN BANK, N.A., WASHINGTON, D.C.

SHOULD YOU HAVE ANY QUESTIONS PLEASE FEEL TO CONTACT ME AT 202-383-1422.

REGARDS,

A. VINCENT SCOFFONE  
SENIOR VICE PRESIDENT AND TREASURER

May 22, 1987

Debbie C. Mitman  
Wire Transfer Department  
First American Bank, N.A.  
740 Fifteenth Street, N.W.  
Washington, D.C. 20005

Dear Ms. Mitman:

This letter constitutes First American Bank's written authorization to charge, as of the above date, First American Bankshares, Inc. demand deposit account No. 3-033-414 for \$13,972,222.56 and immediately wire transfer the same \$13,972,222.56 as follows:

Security Pacific International Bank  
New York, New York  
for the credit of  
Bank of Credit and Commerce International [Overseas] Limited  
Grand Cayman  
Account No. 070-12001  
for International Credit and Investment Company  
for the benefit of  
First American Bankshares, Inc.  
Washington, D.C.  
Account No. 20303

Should you have any questions or need any further information, please feel free to contact me at 383-1422.

Sincerely,

A. Vincent Scuffone  
Senior Vice President and Treasurer

AVS/mei

Telex to ICIC (Overseas) Ltd., Grand Cayman, 309-4355

TO: MR. A.H. DOSSANI  
INTERNATIONAL CREDIT AND COMMERCE INVESTMENT [OVERSEAS] LTD.  
GRAND CAYMAN, CAYMAN ISLANDS

FROM: A. VINCENT SCOFFONE, SENIOR VICE PRESIDENT AND TREASURER  
FIRST AMERICAN BANKSHARES, INC.

SUBJECT: USDLRS 45,972,222.56 CD DUE MAY 22, 1987

DATE: MAY 22, 1987

IT IS MY UNDERSTANDING THAT THE INSTRUCTIONS CONTAINED IN MY TELEX TO YOU DATED MAY 19, 1987 HAVE ALREADY BEEN EXECUTED.

PLEASE BE ADVISED THAT FIRST AMERICAN BANKSHARES, INC. ON MAY 22, 1987 WILL WIRE TRANSFER USDLRS 13,972,222.56 WITH THE FOLLOWING INSTRUCTIONS:

SECURITY PACIFIC INTERNATIONAL BANK, NEW YORK, NEW YORK FOR THE CREDIT OF BANK OF CREDIT AND COMMERCE INTERNATIONAL [OVERSEAS] LIMITED, GRAND CAYMAN ACCOUNT NO. 070-12001 FOR INTERNATIONAL CREDIT AND INVESTMENT COMPANY FOR THE BENEFIT OF FIRST AMERICAN BANKSHARES, INC., WASHINGTON, D.C. ACCOUNT NO. 20303.

THE BALANCE OF USDLRS 13,972,222.56 SHOULD BE REINVESTED FOR AN ADDITIONAL 60 DAYS. IT IS MY UNDERSTANDING THAT THE RATE WILL BE 7 PERCENT AND THAT THE CERTIFICATE WILL MATURE ON JULY 21, 1987.

PLEASE CONFIRM THE REINVESTMENT OF THE FUNDS IN WRITING AT YOUR EARLIEST CONVENIENCE.

SHOULD YOU HAVE ANY QUESTIONS PLEASE FEEL FREE TO CONTACT ME AT 202-383-1422.

REGARDS,

A. VINCENT SCOFFONE  
SENIOR VICE PRESIDENT AND TREASURER



**INTERNATIONAL CREDIT AND INVESTMENT COMPANY (OVERSEAS) LTD.**  
*Incorporated in Grand Cayman*  
**P.O. BOX 2168. ICIC HOUSE, NORTH CHURCH STREET, GRAND CAYMAN, CAYMAN ISLANDS, B.W.I.**

25th May, 1987

Mr. A. Vincent Scuffone  
Senior Vice President and Treasurer  
First American Bankshares, Inc.  
15th & H Street North West  
Washington, DC 20005  
USA

Dear Mr. Scuffone:

Our A/C No. 20303-20

Thank you for your telex dated 22nd May, 1987.

We are pleased to confirm acceptance of a placement of US\$ 13,972,222.56 from 22nd May, 1987 to 21st July,, 1987 at 7% per annum.

Interest due upon maturity will be US\$163,009.26.

With regards,

Yours sincerely,

A. H. DOSSANI  
MANAGER

J. J. HEMANI  
AUTHORISED SIGNATORY

AHD/JJH/dsc

Telex to ICIC (Overseas) Ltd., Grand Cayman, 309-4355

TO: MR. A.H. DOSSANI  
INTERNATIONAL CREDIT AND COMMERCE INVESTMENT (OVERSEAS) LTD.  
GRAND CAYMAN, CAYMAN ISLANDS

FROM: A. VINCENT SCOFFONE, SENIOR VICE PRESIDENT AND TREASURER  
FIRST AMERICAN BANKSHARES, INC.

SUBJECT: USDLRS 13,972,222.56 CD DUE JULY 21, 1987

DATE: JULY 15, 1987

THIS TELEX CONSTITUTES YOUR WRITTEN AUTHORIZATION TO TRANSFER THE FULL AMOUNT OF PRINCIPAL AND INTEREST TOTALING USDLRS 14,135,231.82 OF FIRST AMERICAN BANKSHARES, INC. CERTIFICATE OF DEPOSIT WHICH WILL MATURE ON JULY 21, 1987 TO FIRST AMERICAN BANKSHARES, INC. ACCOUNT NO. 3-033-414 AT FIRST AMERICAN BANK, N.A., WASHINGTON, D.C.

SHOULD YOU HAVE ANY QUESTIONS PLEASE FEEL TO CONTACT ME AT 202-383-1422.

REGARDS,

A. VINCENT SCOFFONE  
SENIOR VICE PRESIDENT AND TREASURER



619

Digitized by srujanika@gmail.com

1. *Leucosia* *leucostoma* (Fabricius) *leucostoma* (Fabricius)

#### REFERENCES AND NOTES

Below weather forecast  
133 13th St NW 20004  
Washington DC 20003

Digitized by srujanika@gmail.com

• 1990 • 10 • 1

#### **REFERENCES AND NOTES**

2023 414

201000011-0000

RECEIVED MAY 1965 FROM THE BANK OF CREDIT AND COMMERCE INT'L GEIROS LONDON FRANC FASMAN LTD.

• [View Details](#) | [Edit](#) | [Delete](#) | [Print](#)

REF ID: A64246 5-033-414 UI FIRST AMERICAN BANKMERS INC.  
AEN PAT LEHART

Digitized by srujanika@gmail.com

1999-2000 30: 000001445111 11 11111111

1st AMERICAN

FT INCOMING MSG

FTOII

036000047 1000

THE ONE-MICROKHZ HE GRADIENT AND SURROUNGE IMAGE TECHNIQUE IN PROSTATE

18-012601

**First Army Headquarters  
NUMBER 3 INC.  
4552 Beechwood**

• 10 •

Section 10

#### **REFERENCES**

• i •

18' U.S. INDIAN

Customer  
Acccts

Account Name
3-033-411

Property
100
Approved

F/T OUTGOING MSG

F/T OUTGOING MSG

Customer Acc	Type
241X1/35.1/000	
First Ameri WASH	0102 45.000, TWO. 00

FIRST AMERICAN BANKSHARES

TEL MAX: NYC / CREDIT BANK OF CREDIT AND COMMERCE INTL.. (OVERSEAS) LTD.

DRAFT CAYMAN ACC# NO. 0701-12001 FFC INTL. CREDIT AND INVESTMENT CO.

100% AMERICAN BANKSHARES, INC., WASHINGTON, D.C.

0124 11015044 102 01231617 FILE E1FAW5F

Customer  
Active

Account Number

1033416

*First American*

FT INCOMING A/R

FT 611A

Amount	Date	Ref.
03400004 1000	02400839	45 3634 045.273.671.87

ON APRIL 19TH NYC/BANK OF CREDIT & COMMERCE INT'L. S.A. MADE OVER TO

FIRST AMERICAN BANK / B4F-C7023B#0551661  
FIRST AMERICAN BANKshares

FEDEME - OUR REF/C7023B#0551661

HOLD WITH H.R.  
Acct Per Invent  
11ch 1109

012316094

11ch 1109

0123 E101507P 115 01231609 FT1E

0123 B0001

191 01231606

0123 E101507P 115 01231609 FT1E

0123 B0001

191 01231606

3794355  
 249556 CLEY UR  
 125 00 0000 570000  
 033 10.000 CP

TO: ~~A. J. BUSSANI~~  
 MANAGER  
 ICIC(U) LTD.

RE: CONFIRMATION OF PLACEMENT OF U.S. 29 MILLION BY CREDIT  
 TO COMMERCE AMERICAN HOLDINGS, N.Y. (CCAH); (NO. 203037)

---

THE AUDITORS OF CCAH REQUEST A BANK CONFIRMATION FROM  
 INSTITUTIONAL CREDIT AND INVESTMENT COMPANY (OVERSEAS) LIMITED  
 THAT U.S. 29 MILLION PLACED WITH YOU VIA FIRST AMERICAN BANK  
 OF NEW YORK ON 03 SEPTEMBER 1996 FOR 300 DAYS WERE DEPOSITED  
 IN SWISS AND FOR THE BENEFIT OF CCAH. SWEDLY ALSO INDICATE  
 THE INTEREST RATE APPLIED.

THE BANK CONFIRMATION SHOULD BE SENT BY TELEX TO:

MARY BARENDE  
 ERNST & WHINNEY NETHERLANDS  
 TELEX: 344 11047 EWNS

WE WOULD BE GRATEFUL IF YOU COULD ARRANGE THIS TELEGRAM  
 TOMORROW.

SINCERELY,

ROBERT A. ALTMAN  
 CHIEF DIRECTOR  
 AND SECRETARY

CC: ~~2. LESHER~~

ICICIS CPV

.....

**FIRST AMERICAN BANKSHARES, INC.**

**CLARK M. CLIFFORD**  
Chairman of the Board

October 10, 1989

**PRIVILEGED & CONFIDENTIAL**

Mohammad Mahmoud Hammoud  
P.O. Box 6311/11  
T.V. Canal 7  
Beirut, Lebanon

Dear Mr. Hammoud:

In recent months, there has been increased merger and acquisition activity among large regional banks in the Southeast region of the United States. The markets served by First American Bankshares' network of banks are within this important geographical area. Such interest has generally resulted from the view now held by many banking institutions that they must become larger in size and scope to compete successfully in banking in the coming years.

In this regard, we have been approached by the management of a large banking organization called Barnett Banks, Inc. to discuss their interest in a possible merger or acquisition arrangement with First American. Barnett is a \$27 billion, publicly held banking institution headquartered in Florida and is the largest bank holding company in that state. We have reason to believe that there may be other, large regional banks interested in a similar combination with First American.

In order to meet our fiduciary obligations to each of the shareholders of Credit and Commerce American Holdings, N.Y. (CCAH) and to protect and promote this important investment in First American, we have undertaken a serious study and evaluation of the matter. We have retained the services of Goldman, Sachs & Co., perhaps the finest investment banking firm in the United States specializing in bank acquisitions and mergers. Goldman, Sachs has been asked to evaluate the express interest of Barnett Banks as well as other possible candidates. To inform you of the efforts by Goldman, Sachs, we enclose a copy of their letter to us setting forth their preliminary assessment of the Company and their proposed program.

- 2 -

The desirability of effecting a combination with the right banking institution may emerge from this analysis. A sale or merger could provide the CCAH shareholders with control of a powerful, larger entity, while affording a public market for your shares and the availability of significant cash dividends on a regular basis. Moreover, it would be anticipated that after such a transaction, there would be no continuing need for future capital calls on our shareholders. And, as shareholders of the resulting institution, you might enjoy even greater capital appreciation of your investment as part of a larger company.

Any combination with a substantial, publicly traded banking institution would require the prior approval of the Federal Reserve Board and other bank regulatory authorities. In addition, certain disclosure obligations to other U.S. authorities, including the Securities and Exchange Commission, may be required.

We wish to emphasize that no commitments whatsoever have been made to any other banking institution. Nor does management's exploration of this issue imply that there would be any such commitments without the prior approval of the CCAH shareholders. In the event that an opportunity does present itself and is judged by management to be advisable to consider, we would fully explain the deal to you and seek your prior consent.

We believe that examination of this important matter warrants very careful attention. We are mindful of our responsibilities to each shareholder, and will appreciate hearing any questions, suggestions or objections you may have. We will, of course, keep you advised of important developments, including the advice and recommendations we receive from Goldman, Sachs.

Cordially yours,

*Clark M. Clifford*  
clark M. Clifford 25

Enclosure

200-8 2-42  
7-22 20000 C.R.

7-22 200-42

Clifford & Warne  
Attorneys and Counsellors at Law  
315 Connecticut Avenue  
Washington, D.C. 20006

March 9, 1990

PRIVILEGED & CONFIDENTIAL

Mohammad Mahmoud Hammoud  
P.O. Box 6311/11  
T.V. Canal 7  
Beirut, Lebanon

Dear Mr. Hammoud:

We have been asked by the staff of the Board of Governors of the Federal Reserve System to provide information about loans from the Bank of Credit and Commerce International, S.A. ("BCCI") to the investors in First American Bankshares, Inc. ("First American"). The Board had inquired about representations made by the initial investors who acquired First American (formerly Financial General Bankshares, Inc.) through Credit and Commerce American Holdings, N.V. ("CCAH") in 1982. At that time, the Board was advised that the acquisition of the company would be primarily from personal funds of the investors, and would not be financed by BCCI.

BCCI has recently written a letter confirming the accuracy of these representations to the Board.

The Board's staff has also requested current information on loans extended to First American investors by BCCI, if any, including stock pledged to secure any such borrowings. The Board has informed us that it is not interested in information about loans made by BCCI, if any, to your various business interests unrelated to First American.

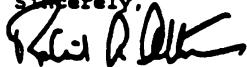
We are aware that your financial information is of a confidential nature, and, further, that the specific information requested by the Board may be difficult to compile expeditiously without the assistance of bank personnel. It is important, however, that we respond fully and accurately to the Federal Reserve Board staff's request. We will undertake to ensure that any information provided is accorded confidential treatment by the Board.

- 2 -

If you have no personal loans from BCCI relating to First American, would you please write us a short letter to that effect. Alternatively, if you do have such borrowings, we are asking that you authorize BCCI to provide us with the requested information so that we may appropriately respond to the Board's staff. Of course, if you have the information readily available, we would appreciate it if you could forward it to us at your earliest convenience.

Thank you for your assistance. If you have any questions, please give me a call.

Sincerely,



Robert A. Altman

**Senator Kerry Dear Colleague Letter**  
January 23, 1990

In a Dear Colleague letter dated January 23, 1990, Senator John Kerry (D. Mass.) proposed banking legislation to revoke the license of a bank convicted of money laundering offenses. The letter makes reference to legal proceedings involving the Bank of Credit and Commerce International ("BCCI") and contains a number of serious factual and legal errors. In that case, BCCI was charged with money laundering offenses. The evidence established that the alleged offenses involved lower level employees; no member of the Board or senior management knew of these transactions which violated written policies of the Bank. The following is intended to assist analysis of this proposed legislation by correcting those erroneous assertions:

I. Erroneous Statement:

"BCCI was not penalized, but rather only required to forfeit the money that it had laundered for the Medellin Cartel."

Fact:

This misrepresents the settlement agreement with the United States. The facts are:

1. BCCI was heavily penalized: Despite total profits on the transactions at issue of only \$200,000, BCCI paid a fine of \$14.8 million. This is by far the largest fine ever imposed in a money laundering case -- three times larger than the largest fine ever before imposed. The fine was structured as a forfeiture at the request of the U.S. Government, so that the funds will go directly to law enforcement authorities (instead of the Treasury) for use in the war on drugs. (By contrast, Banco de Occidente -- recently convicted of laundering over \$1 billion in cash -- was fined only \$5 million, payable over 4 years.)

2. BCCI was not engaged in laundering money for the Medellin Cartel. In fact, BCCI had accepted no cash and had not knowingly dealt with any. The case concerned 14 transactions, all directed by U.S. undercover agents, all involving wire transfers initiated by reputable U.S. banks. (By contrast, Banco de Occidente was alleged to be directly dealing with the Medellin Cartel.)

3. BCCI has been placed under strict regulatory constraints by the Federal Reserve and is to provide valuable cooperation to the U.S. in other matters.

\*\*\*

II. Erroneous Statement:

"Interestingly, state regulators have since decided to revoke the charter of the bank."

Fact:

No state regulator anywhere has made any decision to revoke the charter of the Bank. BCCI is regulated by banking authorities in New York, California, Florida, and by the Federal Reserve. Only the Florida regulators -- prompted in large part by public dissemination of similarly inaccurate information as that in the Dear Colleague letter -- have said they are considering license revocation for BCCI's Miami agency, and no decision in that regard has been made.

\*\*\*

III. Erroneous Statement:

"This legislation will provide the appropriate Federal bank regulatory agency the power to revoke the charter of any Federally chartered financial institution which is convicted of a money laundering offense. . . ."

Fact:

According to Robert B. Serino, deputy chief counsel for the Comptroller of the Currency, federal regulators already have the power to revoke charters for such offenses. He has said, "Is it necessary to add to the arsenal? We have the death-knell powers over banks." (American Banker, January 19, 1990.)

\*\*\*

IV. Erroneous Statement:

"The legislation requires that at least one of the corporate officers or directors have 'collective knowledge' of the violation. Current case law

defines 'collective knowledge' as one employee, who acting within the scope of his employment, knows what was required. . . ."

Fact:

1. The majority view of the federal courts requires that at least one employee know both what was required under the law and that violations were taking place. (In one case, i.e., Bank of New England, a court held that a bank may be liable if one employee knows what is legally required and another is aware of the violations.) It is erroneous (and illogical) to refer to one officer or director as having "collective knowledge."

2. The legislation seeks to apply controversial, strict standards of corporate criminal liability to bank regulatory proceedings. Under current U.S. law, a bank is criminally liable for all acts committed by even its most junior employees. This rule applies even if no member of the Board of Directors or senior management was aware of, or would have approved, the offending activities -- and even if the conduct violated express policies of the Bank. Thus, under the proposed legislation, banks would face license revocation for the actions of low level employees -- using the legal standard proposed -- actions which, as a practical matter, cannot be wholly controlled by any large bank.

## Arent, Fox, Kintner, Plotkin &amp; Kahn

Washington Square 1050 Connecticut Avenue, N.W.  
Washington, D.C. 20036-5339

In Maryland  
Bethesda Crescent  
7475 Wisconsin Avenue  
Bethesda, Maryland 20814-3413  
(301) 857-4800

Joseph E. Sandler  
(202) 857-6221

In Virginia  
JTL Tysons Towers I  
8000 Towers Crescent Drive  
Vienna, Virginia 22182-2733  
(703) 847-5800

January 26, 1990

L  
U.S. HOUSE OF REPRESENTATIVES  
U.S. HOUSE OF REPRESENTATIVES

Honorable Donald K. Anderson, Clerk  
U.S. House of Representatives  
Office of records and Registration  
Room 1036  
Longworth House Office Building  
Washington, D. C. 20515

Dear Mr. Anderson:

I enclose, pursuant to the Federal Regulation of Lobbying Act, one executed original of a Preliminary Report filed by our law firm relative to our representation of the the Bank of Credit and Commerce International S.A. and the Bank of Credit and Commerce International (Overseas) Ltd.

If you have any questions concerning the enclosed, please call me at 857-6221.

Sincerely yours,

*Joseph E. Sandler*  
Joseph E. Sandler

Enclosures

dew



## Arent, Fox, Kintner, Plotkin &amp; Kahn

Washington Square 1050 Connecticut Avenue, N.W.  
Washington, D.C. 20036-5339

In Maryland  
Bethesda Crescent  
7475 Wisconsin Avenue  
Bethesda, Maryland 20814-3413  
(301) 857-4800

Joseph E. Sandler  
(202) 857-6221

In Virginia  
J.R. Tyson Towers I  
8000 Towers Crescent Drive  
Vienna, Virginia 22182-2733  
(703) 847-5800

April 10, 1990

HONORABLE DONNELL K. ANDERSON, CLERK  
U.S. HOUSE OF REPRESENTATIVES  
OFFICE OF RECORDS AND REGISTRATION  
ROOM 1036  
LONGWORTH HOUSE OFFICE BUILDING  
WASHINGTON, D.C. 20515

Dear Mr. Anderson:

I enclose, pursuant to the Federal Regulation of Lobbying Act, one executed original of the First Quarterly Report filed by our law firm relative to our representation of the Bank of Credit and Commerce International S.A. and the Bank of Credit and Commerce International (Overseas) Ltd.

If you have any questions concerning the enclosed, please call me at 857-6221.

Sincerely yours,

*Joseph E. Sandler*  
Joseph E. Sandler

Enclosures

dew

PLEASE RETURN 1 ORIGINAL TO THE CLERK OF THE HOUSE OF REPRESENTATIVES, OFFICE OF REFORM AND REGISTRATION, ENHANCEMENT DIVISION  
OFFICE BUILDING, WASHINGTON, D.C. 20510

PLEASE RETURN 1 ORIGINAL TO THE SECRETARY OF THE SENATE, OFFICE OF PUBLIC RECORDS, 221 MARY SENATE OFFICE BUILDING, WASHINGTON, D.C. 20510

PLACE AN "X" BELOW THE APPROPRIATE LETTER OR FIGURE IN THE BOX AT THE RIGHT OF THE "REPORT" HEADING BELOW:

"PRELIMINARY" REPORT ("Registration") To "Request": place an "X" below the letter "P" and all out page 1 only.

"QUARTERLY" REPORT: To indicate which one of the four calendar quarters is covered by the Report, place an "X" below the appropriate figure.

Fill out both page 1 and page 2 and as many additional pages as may be required. The first additional page should be numbered as page "2" and the rest of such pages should be "3", "4", "5", etc. Preparation and filing in accordance with instructions will accomplish compliance with all quarterly reporting requirements of the Act.

Year: 1980... ←

## REPORT

PURSUANT TO FEDERAL REGULATION OF LOBBYING ACT

P	QUARTER		
	1st	2d	3d
X			

DATE AND SIGNATURE PAGE

IDENTIFICATION NUMBER 10154065

Is this an Amendment?  
 YES  NO

NOTE on ITEM "B-1" IN GENERAL: The "Report" form may be filed by itself or as an individual, or it may

form a larger organization, partners and/or members of the "organization" or the "employee" is a firm (such as a law firm or other business firm), partners and/or members of such firm may also file a Report as an "employee."

(a) "Employee": To file as an "employee," name the "firm" or name

(b) "Employer": To file as an "employee," name "None" or name of firm "B".

(c) SEPARATE REPORTS: An agent or employee should not attempt to combine his Report with the employer's Report.

(d) Employees subject to the Act must file separate Reports and are not relieved of the requirement merely because Reports are filed by their employer.

(e) Employees subject to the Act must file separate Reports and are not relieved of the requirement merely because Reports are filed by their employer.

A. ORGANIZATION OR INDIVIDUAL FILING 2. If this Report is for an Employee, list names of agents or employees who will file Reports for that Quarter.

SAME NAME, ADDRESS, AND NAME OF BUSINESS.

CHECK IF ADDRESS IS DIFFERENT THAN PREVIOUSLY REPORTED

Arent, Fox, Kintner, Plotkin & Kahn

Burton V. Wides, Joseph E. Sandler, Raymond Banoun

1050 Connecticut Avenue, N.W.

Washington, D.C. 20036-5339 (LAWFIRM)

NOTE ON ITEM "B-1": Report by Agents or Employees. As an employee or if file, each quarter, as many Reports as he has employers, assume that (a) if a particular organization is composed of a group of employees, the group is to be considered as one employer, but all members of the group are to be named, and the contributions of each member to be itemized; (b) if the work is done in the name of one person but payment character is made by another, a single Report naming both persons as "employer" is to be filed each quarter.

B. EMPLOYER—Same name, address, and nature of business. If there is no employer, write "None".

Bank of Credit and Commerce

Bank of Credit and Commerce Internationals

International S.A.

(Overseas) Ltd.

320 Park Avenue

1200 Brickell Avenue

New York, New York 10022 (BANKING)

Miami, Florida 33131 (BANKING)

NOTE ON ITEM "B-1": The expression "in connection with legislative interests" as used in the Report, means "in connection with lobbying, directly or indirectly, to influence the passage or defeat of legislation." The term "legislative" means bills, resolutions, memoranda, communications, and other matters pending or proposed in either House of Congress, and includes any other matter which may be the subject of action by either House. (See Rule 1322)

(a) Before undertaking any activities in connection with legislative interests, organizations and individuals subject to the Lobbying Act are required to file a "Preliminary Report" (see page 2).

(b) After beginning such activities, they must file a "Quarterly" Report at the end of each calendar quarter in which they have either incurred or expended anything of value in connection with legislative interests.

### C. LEGISLATIVE INTERESTS AND PUBLICATIONS in connection therewith:

- 1. State approximately how long legislative interests are to continue. If  expected expenditures in connection with legislative interests have increased, place an "X" in the left, so that the other will no longer expect to reserve Reports.
- 2. State the general legislative interests of the person filing and set forth the specific legislative interests by selecting: (a) Short titles of measures and bills; (b) House and Senate numbers of bills, where known; (c) names of sponsors, where known; (d) whether or not against such measure and bills.
- 3. In the case of those publications which the person filing has caused to be issued or distributed, in connection with legislative interests, set forth: (a) descriptions, (b) quantity distributed, (c) date of distribution, (d) name of printer or publisher (if publications were paid for by person filing) or name of donor (if publications were received as a gift).

(Answer items 1, 2, and 3 in the space below. Attach additional pages if more space is needed.)

2. Banking legislation.
3. None.

4. If this is a "Preliminary" Report (Registration) rather than a "Quarterly" Report, state below what the nature and amount of anticipated expenses will be; and, if for an agent or employee, state also what the daily, monthly, or annual rate of compensation is to be. If this is a "Quarterly" Report, disregard this form "D" and fill out forms "D" and "E" on the back of this page. Do not attempt to combine a "Preliminary" Report (Registration) with a "Quarterly Report" "D".

### STATEMENT OF VERIFICATION

I declare under penalty of perjury that the information contained herein is true and correct.

Check ONE of the following boxes:

I am reporting AS AN INDIVIDUAL.

I am a partner of the above-named organization and I am authorized to make this verification on behalf of such organization.

Executed on 4/10/90 (Date)

(Signature)

(Typed)

Raymond Banoun

**NOTE on ITEM "B-1a) IN GENERAL.** The term "contribution" includes anything of value. When an organization or individual gives money or duplicated matter or anything equivalent to influence legislation, money received by such organization or individual - or both given or duplicated matter - is a "contribution." The term "transaction" also includes a gift, subscription, loan, advance, or advance of money, or anything of value and includes a contract, promise, or agreement. Whether or not legally enforceable to make a contribution is 30(2)(a) of the lobbying Act.

(b) IF THIS REPORT IS FOR AN EMPLOYEE - (i) In General: Form "D" is designed for the reporting of all receipts from which contributions are made, or will be made, or expended with legislative interests.

(ii) **Average of Business Firms and Individuals.** A business firm or individual which is subject to the Lobbying Act in reason of expenditures which it makes in attempting to influence legislation, but which has no funds to extend toward these which are to be reported, even though it makes an expenditure or contribution in any way with the advertising of legislation - will have no receipts, even though it does have expenditures to report.

(iii) **Average of Non-business Organizations.** Some organizations do not receive gifts, funds, which are to be reported, solely for the purpose of advertising or influencing legislation, but which are received from other organizations, foundations, individuals, or other organizations. The percentage of the gross amount of these funds which is used for such advertising influences the percentage of dues, assessments, or other contributions which can be considered to have been made for that purpose. Therefore, in reporting receipts, such organizations may specify what percentage is, and report their dues, assessments, and other contributions on that basis. However, each contribution of \$500 or more is to be listed, regardless of whether the contribution was made solely for legislative purposes or not.

(c) IF THIS REPORT IS FOR AN AGENT OR EMPLOYEE - (i) In general: In the case of many employees, all receipts will come under forms "D-1" (reserved for operational) and "D-2" (expenses money and contributions). In the absence of a clear indication to the contrary, it will be presumed that your employer is to contribute you for all expenditures which you make or contribute with legislative interests.

(ii) **Employer or Contributions of \$500 or More.** Where your contributions from your employer (in the form of salary, fee, etc.) amounts to \$500 or more, it is not necessary to report such contributions under "D-1" and "D-2," since the amount has already been reported under "D-1" and the name of the "employer" has been given under line "B" on page 1 of this report.

## D. RECEIPTS (INCLUDING CONTRIBUTIONS AND LOANS);

Fill in every blank. If the answer to any numbered item is "None," write "NONE" in the space following the number.

Receipts (other than loans)

1. \$ ---	Dues and assessments
2. \$ ---	Gifts of money or anything of value
3. \$ ---	Printed or duplicated matter received as a gift
4. \$ ---	Receipts from sale of printed or duplicated matter
5. \$ ---	Received for services (e.g., salary, fee, etc.)
6. \$ ---	<b>TOTAL</b> for this Quarter (Add "1" through "5")
7. \$ ---	Received during previous Quarters of calendar year
8. \$ ---	<b>TOTAL</b> from Jan. 1 through this Quarter (Add "6" and "7")

Loans Received - The term "contribution" includes a . . . Jan. . . 7-1 30(2)(a)

9. \$ ---	<b>TOTAL</b> now owed to others on account of loans
10. \$ ---	Borrowed from others during this Quarter

11. \$ ---	<b>Repaid to others during this Quarter</b>
12. \$ ---	"Expense Money" and Reimbursements received this quarter.

Contributions of \$500 or More (from Jan. 1 through this Quarter)

13. Have there been such contributions? \_\_\_\_\_

Please enter "yes" or "no" \_\_\_\_\_

14. In the case of each contribution which contributions (including loans) during the "period" from January 1 through the last day of the Quarter, total \$500 or more.

Attach plain sheets of paper representingly the sum of this page, relevant data concerning the date of the period, Name and Address of Contributor; and relevant data concerning the date of the period, Name and Address of Recipient; and relevant data concerning the date of the period, Name and Address of Recipient.

15. Prepare such schedules in accordance with the following example:

Amount Name and Address of Contributor

\$1,500.00 From Dec. 1621 Black Bldg., New York, N.Y.

1,750.00 The New Corporation, 2311 Park Bldg., Chicago, Ill.

53,215.00 **TOTAL**

**NOTE on ITEM "C-1a) IN GENERAL.** The term "expenditure" includes a payment, distribution, loan, advance, donation, or gift of money, or anything of value and includes a contract, promise, or agreement, whether or not legally enforceable, to make an expenditure" 30(2)(b) of the Lobbying Act.

(b) IF THIS REPORT IS FOR AN AGENT OR EMPLOYEE: In the case of many employees, all expenditures will come under telephone and telegraph (Item "E-6) and travel, food, lodging, and entertainment (Item "E-7).

## E. EXPENDITURES (INCLUDING LOANS) in connection with legislative interests:

Fill in every blank. If the answer to any numbered item is "None," write "NONE" in the space following the number.

Expenditures (other than loans)

1. \$ ---	Public relations and advertising services
2. \$ ---	Wages, salaries, fees, commissions (other than Item "T")
3. \$ ---	Gifts or contributions made during Quarter
4. \$ ---	Printed or duplicated matter, including distribution cost
5. \$ ---	Office overhead (rent, supplies, utilities, etc.)
6. \$ ---	Telephone and telegraph
7. \$ ---	Travel, food, lodging, and entertainment
8. \$ ---	All other expenditures
9. \$ ---	<b>TOTAL</b> for this Quarter (Add "1" through "8")
10. \$ ---	Expended during previous Quarters of calendar year
11. \$ ---	<b>TOTAL</b> from Jan. 1 through this Quarter (Add "9" and "10")

Loans Made to Others - The term "contribution" includes a . . . Jan. . . 7-1 30(2)(b)

12. \$ ---	<b>TOTAL</b> now owed to person filing
13. \$ ---	Loan to others during this Quarter
14. \$ ---	Repayments received during this Quarter

15. Receipts of Expenditures of \$10 or More \_\_\_\_\_

If there were no single expenditures of \$10 or more, please so indicate by using the word "NONE"

In the case of expenditures made during the Quarter by, or on behalf of, the person filing, attach plain sheets of paper representingly the sum of this page and relevant data as to expenditures under the following headings: "Advocacy," "Dues or Dues," "Name and Address of Recipient," "Purpose." Prepare such schedules in accordance with the following example:

Amount Name or Dates - Name and Address of Recipient - Purpose

\$1,750.00 7-11: Bee Printing Co., 3214 Black Ave., St. Louis, Mo. - Printing and mailing circulars on the "Marchants Bill."

\$2,400.00 7-15, 8-15, 9-15: Bruce & Bates, 3127 Granite Bldg., Washington, D.C. - Postal return service at \$100.00 per month.

54,150.00 **TOTAL**

PLEASE RETURN 1 ORIGINAL TO THE CLERK OF THE HOUSE OF REPRESENTATIVES, OFFICE OF RECORDS AND REGISTRATION, 244 LONGWORTH BUILDING, OFFICE BUILDING, WASHINGTON, D.C. 20510  
PLEASE RETURN 1 ORIGINAL TO THE SECRETARY OF THE SENATE, OFFICE OF PUBLIC RECORDS, 233 RAFT STREET OFFICE BUILDING, WASHINGTON, D.C. 20510

PLACE AN "X" BELOW THE APPROPRIATE LETTER OR FIGURE IN THE BOX AT THE RIGHT OF THE "REPORT" HEADING BELOW:  
"PRELIMINARY" REPORT ("Registration") To "register," place an "X" below the letter "P" and all one page. only.

"QUARTERLY" REPORT: To indicate which one of the four calendar quarters is covered by this Report, place an "X" below the appropriate figure.  
Fill out both page 1 and page 2 and as many additional pages as may be required. The first additional page should be numbered as page "1," and the rest of such pages should be "2," "3," "4," etc. Preparation and filing in accordance with instructions will accomplish compliance with all quarterly reporting requirements of the Act.

Year: 1990... ←

## R E P O R T

PURSUANT TO FEDERAL REGULATION OF LOBBYING ACT

P	1st	2nd	3rd	4th
<input checked="" type="checkbox"/>				

Start on report date

IDENTIFICATION NUMBER 00666013

Is this an Association?  
 YES  NO

NOTE ON ITEM "A"- (a) IN GENERAL: This "Report" form may be used by either an organization or an individual, as follows:

- (i) "Employee" - To file as an "employee," over item "(b)" the name, address, and nature of business of the "employee." If the "employee" is a firm (such as a law firm or public relations firm), partners and selected staff members of such firm may join in filing a Report as an "employee."
- (ii) "Employee" - To file as an "employee," over "None" as answer to item "(b)."
- (iii) SEPARATE REPORTS: An agent or employee should not attempt to combine his Report with the employer's Report.
- (iv) Employees subject to the Act must file separate Reports and are not relieved of this requirement merely because Reports are filed by their agents or employees.
- (v) Employees subject to the Act must file separate Reports and are not relieved of this requirement merely because Reports are filed by their employers.

### A. ORGANIZATION OR INDIVIDUAL FILING

1. State name, address, and nature of business:  
 CHECK IF ADDRESS IS DIFFERENT THAN PREVIOUSLY REPORTED

CLIFFORD & WARNKE

Robert A. Altman  
815 Connecticut Avenue, N.W., Suite 1200  
Washington, D. C. 20006 (LAW FIRM)

FEB 26 1990 AM 11:30

NOTE ON ITEM "B"- Report by Agents or Employees: An employee is to file, each quarter, as many Reports as he has employees, except that (a) if a particular employee is jointly financed by a group of employees, the group is to be considered as one employee, but all members of the group are to be named, and the contribution of each member is to be specified; (b) if the work is done in the interest of one person but payment therefor is made by another, a single Report - naming both persons as "employees" - is to file each quarter.

### B. EMPLOYER - State name, address, and nature of business. If there is no employer, write "None."

Bank of Credit and Commerce International  
 International S.A.  
 320 Park Avenue  
 New York, New York 10022 (BANKING)

Bank of Credit and Commerce International  
 (Overseas) Ltd.

1200 Brickell Avenue  
 Miami, Florida 33131 (BANKING)

NOTE ON ITEM "C"- The expression "in connection with legislative interests," as used in the Report, means "in connection with lobbying, directly or indirectly, in either the passage or defeat of legislation." The term "legislation" means bills, resolutions, amendments, ordinances, and other measures pending or proposed in either House of Congress and includes any other measure which may be the subject of action by either House's "Committee on Rules" in either House, including any activities or communication with legislative interests, organizations and individuals subject to the Lobbying Act are required to file a "Preliminary" Report (Registration).

(i) After beginning such activities, they must file a "Quarterly" Report at the end of each calendar quarter in which they have either received or expended anything of value in connection with legislative interests.

### C. LEGISLATIVE INTERESTS AND PUBLICATIONS in connection therewith:

State approximately how long legislative interests are to continue. If recipient and co-sponsors in connect-  
tion with such legislative interests are to be terminated, place an "X" in the  
box at the left, so that our  
Office will no longer expect  
to receive Reports

2. State the general legislative interests of  
the person filing and set forth the specific  
legislative interests by listing (a) Short  
titles of bills, (b) Long titles of bills, (c)  
Same numbers of bills, where known, (d)  
estimates of measures, where known, (e)  
whether for or against such measures and  
bills.

3. In the case of those publications which the per-  
son filing has cause to be named or described,  
specify the publications with legislative interests, name  
(a) description, (b) name, distributor, (c) date  
of distribution, (d) name of printer or publisher  
(if publications were paid for by person filing) or  
name of donor (if publications were received as  
a gift).

(Answer items 1, 2, and 3 in the space below. Attach additional pages if more space is needed.)

1. Indefinitely.
2. Banking legislation.
3. None.

ENTER 4-5  
4 Multi

OFFICIAL USE ONLY

4. If this is a "Preliminary" Report (Registration) rather than a "Quarterly" Report, state below what the nature and amount of anticipated expenses will be, and, if for an agent or employee, state also what the daily, monthly, or annual rate of compensation is to be. If this is a "Quarterly" Report, disregard this item "C" and all our items "D" and "E" on the back of this page. Do not attempt to combine a "Preliminary" Report (Registration) with a "Quarterly" Report. It is anticipated that expenses will be minimal (duplicating charges, taxis, etc.) and fees are expected to be charged at hourly rates which here may range from \$75 to \$350 per hour.

### STATEMENT OF VERIFICATION

I declare under penalty of perjury that the information contained herein is true and correct.

Check ONE of the following boxes:

I am reporting AS AN INDIVIDUAL.

I am a partner

to make this verification on behalf of such organization.

✓ of the above-named organization and I am authorized

Executed on Jan. 25, 1990  
 (date)

(Signature)

(Typed)

Robert A. Altman





## LAXALT, WASHINGTON, PERITO &amp; LUBUC

A PARTNERSHIP INCLUDING PROFESSIONAL CORPORATIONS

1055 PENNSYLVANIA AVENUE, N.W.  
WASHINGTON, D.C. 20004  
(202) 857-2252

1120 CONNECTICUT AVENUE, N.W.  
WASHINGTON, D.C. 20036

700 THIRD AVENUE  
NEW YORK, N.Y. 10017  
(212) 620-3400

2052 WORLD TRADE CENTER  
600 EAST PIERRE STREET  
BALTIMORE, MARYLAND 21202  
(301) 962-6212

(202) 857-4000  
TELEX: 882415/904000  
TELECOPIER: (202) 857-4410  
CABLE: DANKEY

January 25, 1990

Senator Dennis De Concini  
SH-328 Hart Senate Office Building  
Washington, D.C. 20510-0302

Dear Senator De Concini:

Both Paul and I want to thank you again for taking time out of your busy schedule to spend a few minutes with us on the issue we discussed today. As we indicated to you, it is our deep concern that precipitous action based on incorrect facts will do a serious disservice to all concerned, particularly law enforcement. I have enclosed the fact sheet that I mentioned to you and hope that you find it helpful. As you understand, the fact sheet must be treated as confidential in compliance with the Court's gag order.

Again, thank you for seeing both Paul and me.

Sincerely yours,

*E. Lawrence Barcella*  
E. Lawrence Barcella, Jr.

## Enclosure

cc: Ed Baxter (w/enc.)  
Tim Carlsgaard (w/enc.)  
dth  
3855m, p. 60

FACT SHEET  
THE BCCI CASE

I. Summary: Criticism of BCCI Settlement-Unwarranted and Contrary to the Public Interest

1. Agreement with the U.S. government provided for:

- Heavy Fine - \$14.8 million - nearly three-times larger than that ever before imposed in a money laundering case. Treated as forfeiture so that the funds go to law enforcement authorities to be applied directly to the war on drugs. (Fine was paid with Bank funds -- not drug profits or drug assets, as some critics claim.)

- Probation - tight regulatory control of BCCI by Federal Reserve.

- Vital cooperation - BCCI agreed to provide valuable information to the U.S. government.

2. Action challenging the agreement undermines the cooperation agreement between BCCI and the U.S. government--considered very important by U.S. law enforcement authorities -- including prosecution of the Noriega case. As reported in the press, the Justice Department has praised the agreement noting the large fine and the Banks' assistance in cases, including the prosecution of Noriega.

3. Penalties for BCCI, an Arab-owned bank, are more severe than those imposed on other banks in recent money laundering cases with more serious factual circumstances. (Compare Banco de Occidente, Bank of Boston, Bank of New England cases.) Raises disturbing questions of discrimination. (Note: It has erroneously been reported that money laundering was BCCI policy. The evidence in the case proved conclusively the opposite was true.)

4. Legislative calls for mandatory license revocation of BCCI would create a dangerous legal precedent for all banks operating in the United States which (have and) can (under U.S. law) be convicted of money laundering in the future solely because of the actions of low-level employees acting contrary to bank policy. (Note: Such legislation could not constitutionally be made applicable to BCCI in connection with this case.)

5. Public comment on the plea agreement could interfere with due process rights of 5 bank employees currently on trial. (The case against one employee was dismissed last week for lack of evidence. Accordingly, the court has imposed a gag order and no comments to the media are possible.) This fact sheet, therefore, is confidential and may not be released to the media.

## II. Background of the Case

The BCCI Group is an international financial firm with offices in 73 countries and 14,000 employees.

In October, 1988, a federal grand jury in Tampa Florida handed down an indictment accusing 9 out of its 14,000-plus employees of engaging in money-laundering, involving less than \$14 million in wire transfers over the course of a year. (As is typical of large banks, BCCI effects many billions in wire transfers every year.)

Two BCCI Group subsidiaries, BCCI SA, which had offices in California and New York, and BCCI (Overseas) Ltd., which had offices in Florida, agreed in the settlement agreement to accept responsibility for these transactions.

But these companies were named based on unique rules of imputed responsibility (not consistent with laws in foreign jurisdictions) which make a company in the United States liable for the acts of its lowest-level employees - even when these actions violate company policy (as was the case here). No member of the Board or the Bank's senior management was alleged to have even been aware of any of the matters in the indictment:

- The case involved 14 transactions over a one year period, all directed by undercover agents. There was no systemic money laundering.

- None of the transactions that went through BCCI banks involved cash. All of them involved wire transfers initiated by reputable U.S. banks. (The U.S. Banks were not charged.)

- The few employees charged warned the undercover agents not to discuss the transactions with other BCCI employees, including their superiors. Further, the transactions were well documented with required banking forms and records; thus there was no apparent reason to question these transactions.

- Only normal banking fees were charged by BCCI - not fees typically charged by criminal money launderers - and the 9 employees alleged activities violated specific written policies of the Bank.

- The total profit to BCCI from all these transactions was less than \$200,000.

III. Requests to Cancel BCCI's Banking License are Ill-Considered

Putting the Bank entities out of business in the U.S.--as some Members and press commentators have suggested--would (i) severely harm U.S. efforts to fight drugs; (ii) create a dangerous legal precedent; and (iii) plainly lack evenhandedness.

- It would effectively eliminate the valuable assistance of an international bank. (Disclosure of the exact nature of BCCI's cooperation would obviously diminish the value of that cooperation.)

- It would set a dangerous precedent for other banks in the United States which may (under U.S. law) be charged with money laundering in the future solely because of the actions of a few mid or low level employees acting contrary to bank policy. Such banks would unfairly face license revocation.

If banks in these situations are to be put out of business, then, for example, the Bank of New England or Great American Bank (Florida)--which were convicted of failing to report the illicit receipt of cash -- could be put out of business. All U.S. banks would have similar exposure.

- Such license revocation action would harm innocent depositors and investors. In the case of BCCI, many innocent persons would be unfairly punished for the alleged actions of a few employees out of 14,000 - actions which, as a practical matter, cannot be wholly controlled by any large company. (BCCI already has closed two of its Florida agencies in Tampa and Boca Raton as a result of this case.)

- It would be grossly discriminatory to impose penalties on this Arab-owned bank that no other bank- has suffered. Many U.S. banks (e.g. Bank of America, Crocker Bank, Bank of Boston, Barnett Bank) have resolved similar offenses with civil proceedings. In the recent Banco de Occidente case, it is noted, over \$1 billion in cash was laundered and that Bank, unlike BCCI, was alleged to be directly dealing with the Medellin cartel with the approval of senior management; Banco de Occidente was fined \$5 million payable over four years.

- If in the future low-level employees at major international banks violate the law, the institutions may be convicted of money laundering. To require license revocation in such cases is inequitable and could well result in retaliatory actions against U.S. banks operating abroad.

#### IV. Ensuring Future Compliance With Strengthened Procedures and Policies

Soon after the indictment and at the initiation of senior Bank officials, the U.S. agencies of BCCI SA and BCCI Overseas were placed under new management with experience at other leading U.S. banking institutions (such as Chemical Bank, American Express Bank, Irving and Chase Manhattan Bank).

A major compliance program was put in place in the U.S., which included:

- New revised compliance manuals drafted with the assistance of outside U.S. counsel and Price Waterhouse.
- Testing procedures conducted by Price Waterhouse.
- Full reviews of customer accounts by outside counsel -- former federal prosecutors with extensive experience.
- Continuing review of transactions by Price Waterhouse.
- The voluntary closing of the agencies in Tampa and Boca Raton to ensure tighter control over Bank operations.
- The Bank closed customer accounts that did not have sufficient customer information or did not otherwise satisfy the management review team; accounts were reported to law enforcement authorities when appropriate.
- These strengthened procedures have already produced results. Recent audits by state regulators in Florida and New York noted significant improvements.
- On top of this, BCCI has instituted a major worldwide compliance effort, including anti-money laundering manuals; new management at several locations; account reviews by outside counsel and/or Price Waterhouse in several countries; and close cooperation with authorities in England, France, Luxembourg and other countries.

#### V. Reports on the Noriega Relationship at BCCI have been inaccurate

1. BCCI has been repeatedly referred to as "Noriega's bank," despite the fact that other major banks worldwide had substantial Noriega assets. These include:

- Union Bank of Switzerland and Swiss Bank Corporation;

- Dresden Sudamerikanische Bank (Hamburg, Germany);
- Three leading French banks with extensive U.S. operations: Banque National de Paris, Credit Lyonnais and Credit Industriel et Commercial.

Based on U.S. government estimates that Noriega had a fortune of \$200-300 million, BCCI had less than 10% of that total - most in an account of the Panamanian Defense Forces. Moreover, it has been suggested that Noreiga assets at BCCI consisted of U.S. government payments to Noreiga.

2. The Bank is to cooperate with the U.S. in its prosecution of Noriega under the settlement agreement. Should the settlement be attacked, the critics (ironically) will actually be assisting Noriega by hampering prosecution efforts. For obvious reasons, BCCI's assistance cannot be detailed.

#### VI. Criticism of the Settlement Agreement Has Been Unfair

Recent criticism of the settlement agreement -- and calls for additional punitive measures--overlooks the Bank's complete cooperation with law enforcement authorities from the time the charges were first levelled, and the Bank's extensive efforts over the past year to strengthen its policies and procedures. Again, the 14 transactions at issue here were not known to senior management and violated bank policy.

The criticism is particularly unfair in view of the lack of any similar criticism of other banks which have been convicted of money laundering offenses, and thus raise disturbing questions of discrimination.

\* \* \*

In summary, the settlement agreement is fair and will be of enduring value in the U.S. war on drugs. It exacts a substantial fine that can be immediately devoted to anti-drug activity. It demands valuable cooperation with U.S. law enforcement authorities. It provides assurance that the comprehensive program BCCI has put into place to prevent future money laundering will be strictly followed. Criticism of this agreement is not objective or justified.

V. M. SWALEH NAQVI  
CHIEF EXECUTIVE OFFICER

HANK OF CREDIT AND COMMERCE INTERNATIONAL S.A.

2 March 1990

The Hon. Orrin G. Hatch,  
135 Russell Senate Office Building,  
WASHINGTON DC 20510.  
U.S.A.

Dear Senator Hatch,

I read with great interest your remarks last week to the United States Senate that were reprinted in the Congressional Record. I am writing to express our appreciation to you for taking your valuable time, as a member of the Senate Judiciary Committee, to look into these matters and to consider them fairly and objectively.

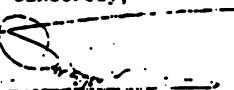
As you know, a great deal of misinformation about BCCI and the legal proceedings in Tampa, Florida, has been widely and repeatedly reported. Moreover, court orders imposed on all parties by the District Court have limited our ability to respond publicly and correct the record. Accordingly, we are most grateful that in the course of your remarks, you found it appropriate to present accurately the facts about BCCI, including an unbiased report on the case, as well as the various, responsible actions taken by BCCI during the past year.

As you properly observed, many in the Middle East and elsewhere have not understood why seriously erroneous reports about BCCI continue to be published. I am sure they will be pleased to learn that the true story about the BCCI case has now been presented by you to the Congress and the American people.

On behalf of our shareholders, the Board of Directors, and our 14,000 employees worldwide, permit me to express our deepest appreciation for your interest and objectivity in this matter.

With best wishes.

Sincerely,



SWALEH NAQVI

Mr.  
Spurred either  
and afraid

Mr.  
very  
in

Mr. President, I rise today to speak on issues of fundamental importance to all Americans. I refer to the scourge of illicit drugs which is properly viewed by the American public as one of the gravest threats to our national well-being. I need not remind my colleagues of my unwavering support for the strongest possible legislation to fight narcotics trafficking. I also expect and demand the effective enforcement of those laws by the Department of Justice.

However, I believe that we must not allow our deep concerns over illicit drugs to lead us to make ill-considered attacks on those actually in the front lines fighting the "drug war." I personally have been troubled in recent weeks by the severe criticism that has appeared in the editorial pages of certain newspapers, and voiced in the halls of Congress, attacking the Justice Department's recent settlement of money laundering charges against the Bank of Credit and Commerce International.

As a member of the Senate Judiciary Committee, I have personally reviewed this matter in some detail. I have talked directly to representatives of the Justice Department. And with this perspective, I have concluded that those who publicly condemn the Justice Department's handling of the matter have either failed to learn the salient facts in the case - or simply disregard them.

The case against BCCI, a foreign banking operation owned by prominent individuals in the Middle East, involved

alleged money-laundering activities by a handful of BCCI's employees. Those individuals are on trial right now in the federal district court in Tampa, Florida and I therefore will refrain from comment on that phase of the proceedings. It has, however, been widely reported that two subsidiaries of BCCI, charged under U.S. principles of corporate criminal responsibility, settled the case with the Justice Department. Those subsidiaries entered pleas of guilty to money laundering offenses and agreed to a \$15 million civil forfeiture to the United States government, among other conditions.

Strongly worded complaints against the Justice Department have been made by those - including some of my colleagues - who consider this settlement of the case to be too lenient or "a slap on the wrist." I am completely mystified by that criticism. I believe the Department of Justice, under the leadership of Attorney General Thornburgh, is doing an exemplary job in fighting the war on drugs, and resolved this particular case in a thoroughly professional and fitting manner.

Significantly, the federal district court in Tampa independently studied this settlement agreement for several weeks, and concluded after a careful review - including the views of opponents to the settlement - that this resolution was just and appropriate. The penalty imposed on BCCI was the largest ever imposed upon a bank for money laundering offenses in the United States. (The payment, it is noted,

was made with bank assets - not drug money or drug profits as has been erroneously reported.) In addition, the Bank has been placed under five years of regulatory probation with the Federal Reserve, and has volunteered to cooperate with the government in important ways. So I just don't see how one could plausibly say that this is a lenient disposition.

To be sure, the BCCI case in Tampa was a very serious matter - but the charges ought to be viewed in their proper perspective. The case arose from the conduct of a small number of BCCI's more than 14,000 employees. No member of the bank's senior management or its board of directors was alleged in the indictment even to have been aware of any of the laundering transactions - much less to have approved them. The transactions, in fact, violated express bank policies.

Furthermore, unlike other money laundering cases, none of the 14 transactions charged in the indictment involved the handling or receipt of cash - the most common form of laundering; rather, the funds came as wire transfers from reputable U.S. banks. The transactions involved a total of \$14 million dollars, spread out over the span of a year, a rather small fraction of the billions of dollars in wire transfers that large banks like BCCI transact every year. Only normal banking fees were charged for these transactions -- not the large fees typically charged by professional money launderers for their crimes. The transactions were documented with the forms and records required by the bank,

and, thus, there was no apparent reason for senior BCCI management to have identified or questioned these transactions. Contrary to press reports, the U.S. Attorney advised the Court that the total fees to BCCI from all the indicted transactions was no more than \$250,000, a sum which the bank has paid back many times over in the penalties provided for in the settlement.

Do not misunderstand me. Money laundering is a serious crime and the BCCI case was an important prosecution. But let us also fairly recognize there was no systemic money laundering uncovered in the BCCI case after intensive investigation. Rather, BCCI appears to be a large international corporation, some of whose employees may have committed serious misdeeds in violation of the Bank's own written rules. And BCCI is legally responsible for the conduct of those employees under U.S. law.

It thus seems evident to me that Monday morning critiques of the Justice Department for its handling of this case are premised on a fundamental misunderstanding of the facts of the case and the terms of the settlement. Nobody knows these facts better than the Justice Department officials themselves. I have spoken with them about this case and I can find no reason whatsoever to second-guess their judgment. Importantly, the Justice Department clearly understands, better than any of us can, that an international bank in 73 countries could provide important cooperation and

assistance in the global drug war. They know what cooperation this bank has offered and can provide.

In this regard, I am aware that BCCI has sometimes been referred to as "Noriega's bank" as though this factor somehow validates or justifies the criticism of the settlement. The Noriega reference, however, serves to obscure the actual charges and evidence in the case - a point the prosecution clearly understood. Moreover, a "guilt by association" approach overlooks the fact that various respected, major banks worldwide have held substantial Noriega assets. Based on public U.S. government estimates that Mr. Noriega deposited some \$200-300 million in foreign bank accounts, BCCI appears to have held but a fraction of that money, most in an account of the Panamanian Defense Forces. So it would be unfair to exaggerate this aspect of the case, and, most importantly, short-sighted, because information the bank does possess with regard to Mr. Noriega will undoubtedly be made available to the United States on a cooperative basis in connection with that ongoing prosecution in Miami.

It is, perhaps, noteworthy that the U.S. Attorney's Office advised the District Court that BCCI's conduct during the past year should be considered in evaluating any settlement of the case. I agree and note that after this case was announced in late 1988, the senior management and Board of Directors of BCCI reacted responsibly and properly. The bank engaged new management for its American operations;

it retained outside auditors and well-regarded counsel to advise the bank and to formulate and implement new compliance procedures and controls. Customer accounts in the United States and certain other countries were reviewed and accounts that did not satisfy high standards of the review team were closed. In addition, BCCI voluntarily closed certain of its agencies in Florida to ensure tighter control over its overall operations; it has instituted a major worldwide compliance effort and cooperated with American and other international law enforcement authorities. And it entered into appropriate agreements with bank regulatory authorities to alleviate their concerns. This is the kind of reaction one might hope to see from a responsible corporate citizen.

It is perhaps, also notable that although it has never advertised it, the BCCI Group is a major participant in recognized charitable and philanthropic programs around the world. The Bank, for example, has reportedly contributed over \$40 million to such causes in the last two years. And, BCCI is active in financing development in third world countries - a vital financial commitment too often ignored by other financial institutions.

Given these circumstances, I regret there have been some calls to put BCCI out of business in this country, and even legislative proposals to require the revocation of the license of any bank that is convicted of a money-laundering offense. Such suggestions may have political appeal, but I believe those who offer them are misguided. I wonder what

the face of corporate America would look like if the "death penalty" were imposed on every bank (or, by analogy, every defense contractor) that found itself in a situation similar to BCCI's. Under our principles of law, a corporation can be held criminally accountable for the conduct of any of its agents or employees, no matter how lowly. I cannot believe that we would seriously want to put the very survival of our greatest and most venerable financial institutions at the mercy of every teller or low level officer who happens to work for them, and whose actions cannot possibly be controlled, as a practical matter, by any large company. Let's remember that if we did that, then a lot of U.S. banks -- the Bank of New England, Great American Bank, Bank of Boston and others -- would have been put out of business. All those banks and various others have been convicted of money-laundering or fined for Bank Secrecy Act violations.

I believe these calls for license revocation are a dangerous precedent and would, if implemented, unfairly harm innocent depositors, customers, employees, and shareholders. At a time when we are trying to attract capital into the banking industry to enhance the stability and soundness of our financial institutions, we must resist ill-conceived notions that will seriously undermine capital formation efforts by wrongly threatening the continued existence of respected banks.

As a final comment, we must be aware that efforts to make an "example" of this foreign bank - by imposing

unprecedented penalties for offenses which other banks have committed - could be seen by some as discriminatory. It will not be lost on the international community - including our friends in the Middle East - that BCCI's critics seem to be singling out this foreign bank for unusually harsh, punitive treatment. I, for one, do not think that approach serves the national interest.

I congratulate the Justice Department for its handling and proper resolution of the BCCI case. I also compliment our federal banking authorities for their restrained, professional approach in addressing regulatory concerns. And I commend the senior management, directors, and shareholders of BCCI for the responsible way the company has responded to the charges in these proceedings.

I ask my colleagues to join me in continuing our aggressive, all out "war on drugs" - including the insidious problem of criminal money laundering - while refraining from unjustified attacks and unwise legislative initiatives that may disserve rather than promote our national interests.

**DRAFT**

[DRAFT]

Mr. President, Senators:

I would like to take a few moments to discuss a matter that has received considerable attention in the editorial pages and in the Senate, and that is the Justice Department's recent settlement of criminal charges against the Bank of Credit and Commerce International in Tampa, Florida. Those charges arose from the alleged money-laundering activities of several of BCCI's employees, who are on trial right now in the federal district court there and are facing possible prison terms. Last month the bank itself settled its case by pleading guilty to all but one of the charges against it and by agreeing to pay a \$15 million fine to the United States government, among other conditions.

Now, I have seen that settlement described as "pathetically lenient" and "a slap on the wrists," and I must say that I am mystified by that criticism. First, the monetary penalty imposed on BCCI is the largest criminal fine ever imposed upon a bank convicted of money laundering in the United States. In fact, it is three times more severe than the greatest penalty ever imposed in such a case. The previous record fine was a \$5 million fine imposed within the last year upon Banco de Occident, for money-laundering that was far more extensive and pervasive than anything charged in the BCCI case. The BCCI penalty is triple that amount, and it will all be applied directly to the war on drugs. On top of that, the bank will be put under five years of strict regulatory probation,

and is required to cooperate with other government money-laundering investigations. So I just don't see how one could plausibly say that this is a lenient disposition.

From the tone of the editorials and commentaries, one would think that BCCI is a criminal enterprise straight out of the movie "Scarface" -- that its board room is filled with bags of small bills and that its directors secretly count them up when they are not busy consorting with underworld drug kingpins. The Justice Department prosecutors who spent several years investigating and bringing this case know that that is a ridiculous and fanciful conception.

In reality, the charges in the case arose from the conduct of nine out of BCCI's more than 14,000 employees. No member of the bank's senior management or its board of directors was alleged even to have been aware of any of the matters in the indictment. In fact, the few individual employees who were caught in the government's sting operation warned the undercover agents not to discuss the suspect transactions with other employees at BCCI -- and especially not with their superiors -- because they knew that the activities violated specific written policies of the bank. There were 14 specific money-laundering transactions charged in the indictment, all directed by the undercover agents. None of the transactions involved cash; all of them were wire transfers initiated by reputable American banks (none of which were charged). The transactions themselves were conducted over the space of a year

and amounted to \$14 million dollars in total, a rather small fraction of the billions of dollars in wire transfers that large banks like BCCI generally transact every year. Only normal banking fees were charged for these transfers -- not the inflated fees typically charged by criminal money launderers-- and since the transfers were well-documented with all of the forms and records required by the bank's internal policies, there was no apparent reason for senior management to question any of these transactions. The total profit to BCCI from all of the indicted transactions was less than \$200,000, a sum which the bank will pay back practically a hundred times over in the fine provided for in the settlement.

So there was no systemic money laundering here. There is no basis to believe that drug-money laundering has ever been this bank's policy or primary occupation, and there is no basis to equate this bank with "the international drug cartel," as some of its more extreme critics would seem to suggest. It is a large and widely-respected international corporation, nine of whose lower-level employees committed serious misdeeds in violation of its own written rules.

I have heard BCCI sometimes referred to as "General Noriega's bank," despite the fact that numerous other major banks worldwide held substantial Noriega assets. Based on U.S. government estimates that Mr. Noriega deposited some \$200-\$300 million of foreign bank accounts, BCCI held less than ten percent of that, most in an account owned by the Panamanian

Defense Forces. It has even been suggested that the assets which the PDF did deposit at BCCI consisted of U.S. government payments to Noriega. It should also be pointed out that since the BCCI settlement guarantees the bank's cooperation in the Justice Department's prosecution of Noriega, the critics who would undermine that settlement would, ironically, actually be assisting Noriega by hampering that prosecution.

I think that the essential corporate responsibility of this bank has been demonstrated by the compliance efforts it has made since these charges were returned. It completely overhauled the management of its American operations; it engaged outside auditors and counsel to formulate and implement new compliance procedures and controls; it put all of its customer accounts and current transactions under the scrutiny of these outside auditors; it closed customer accounts that did not satisfy the management review team, and reported those accounts to law enforcement authorities where appropriate; it voluntarily closed certain of its agencies in Florida to ensure tighter control over its overall operations; it has instituted a major worldwide compliance effort and has cooperated closely with American and other international law enforcement authorities; and I am informed that state banking regulators have already noted significant improvements as a result of these efforts.

Notwithstanding all of this, there have been some calls to put BCCI out of business in this country, and even to revoke

the license of any bank that is ever convicted of a money-laundering offense. I wonder what the face of corporate America would look like if that penalty were imposed on every bank or large corporation that found itself in a situation similar to BCCI's. Under our principles of law, a corporation can properly be held criminally accountable for the conduct of any of its agents or employees, no matter how lowly. I cannot believe that we would seriously want to put the very survival of our greatest and most venerable financial institutions at the mercy of every teller or loan officer who happens to work for them, and whose every actions cannot possibly be controlled, as a practical matter, by any large company. Let's remember that if we did that, then an awful lot of banks -- the Bank of New England, Great American Bank, Bank of America, Bank of Boston -- could be out of business right now. All of those banks have either been convicted of criminal money-laundering or paid civil penalties for arguably criminal activities. I think it would set a very dangerous precedent to require such a draconian penalty in every such case. And I do not believe it would be advisable, even if it were practical, because it would harm all of the innocent depositors, employees, and investors of those banks. I think it is far more effective in our fight against drugs to impose incarceration upon the individual criminal employees, to impose reasonable penalties on the banks themselves, and to encourage the banks to undertake precisely the sort of compliance controls that BCCI has done here. To

put them all out of business forever would really be throwing out the baby with the bath-water.

There is one final aspect of this matter that causes me real concern, and that is the arguably discriminatory character of the criticism. It would be grossly unfair to impose penalties on this foreign bank that no other bank has ever suffered for comparable or even greater misconduct. Such a response could even result in retaliatory actions against U.S. banks operating abroad.

Our national anti-drug policy has drawn plenty of fire from some of our international neighbors who charge that we are attempting to shift the weightiest burdens of our drug enforcement plans to them; that we are quick to point out what sacrifices they must make to combat supply, but slow to impose hardships on ourselves to reduce the demand; that we are in reality asking them to pay the price for our war on drugs. Whether justified or not, such perceptions that we are being hypocritical in our approach surely cannot promote the kind of cooperation that is imperative if we are to solve these enormous problems.

Senators, I am seriously concerned that the recent criticism of the BCCI settlement -- a settlement which by any objective or rational standard is fair and effective -- will only reinforce this debilitating perception. It will do so because it seeks to make a example of a foreign bank, by imposing unprecedented penalties for conduct of which numerous

domestic banks have been convicted, and for which those domestic banks have truly received but a "slap on the wrist." We should take an aggressive attitude against money-laundering, but it will not be lost on the international community that the BCCI critics would single out a foreign bank for this unprecedented punitive treatment. I, for one, do not think that is how we should go about this business, nor do I believe that approach serves the national interest.

The prosecutors who worked long and hard on the BCCI case know and believe that this settlement reflects the true severity of the offenses committed, provides just punishment, and confers substantial compensation and assistance to the United States. It will be of enduring value in the war on drugs. The criticism of this agreement is neither object e nor justified.

JANIS, SCHUELKE & WECHSLER  
1728 Massachusetts Avenue, N.W.  
Washington, D.C. 20036  
(202) 861-0600

**FACSIMILE TRANSMISSION**

DATE: February 5, 1990

TO: Robert A. Corman  
(202) 828-4200

FROM: La Claudia Horne  
for Mark Attarri

PAGES: Lead + 9 pages

Please fax all changes to the  
attention of La Claudia Horne.

Hankinson

[DRAFTED BUT NOT PROOFED]

Mr. President, Senators:

I would like to take a few moments to discuss a matter that has received considerable attention in the editorial pages and in both Houses of the Congress, and that is the Justice Department's recent settlement of criminal charges against the Bank of Credit and Commerce International in Tampa, Florida. Those charges arose from the alleged money-laundering activities of several of BCCI's employees, who are on trial right now in the federal district court there and are facing possible prison terms. Last month the bank itself settled its case with the Justice Department by pleading guilty to all but one of the charges against it and by agreeing to pay a \$15 million fine to the United States government, among other conditions.

Of course, all of us agree that the scourge of drugs is the gravest present threat to our national well-being. I need not remind my colleagues of my unwavering support for the strongest possible legislation to fight the drug war. Nor need I detail here the litany of crime bills, including those with strong anti-drug and anti-money laundering provision, that I have sponsored and fought for through the years. I also have not hesitated to criticize the Department of Justice when I have found their actions to be inconsistent with the most effective enforcement of those laws.

In this particular case, however, I have seen the Justice Department's settlement with BCCI described as "pathetically

lenient" and "a slap on the wrists," and I must' say that I am mystified by that criticism of the Department of Justice. First, the monetary penalty imposed on BCCI is the largest ever imposed upon a bank convicted of money laundering in the United States. In fact, it is three times more severe than the greatest penalty ever imposed in such a case. The previous record fine was a \$5 million fine imposed within the last year upon Banco de Occidente, for money-laundering that was far more extensive and pervasive than anything charged in the BCCI case. The BCCI penalty is triple that amount. It is practically one hundred times the amount of drug-related profits actually alleged in this case, and it will all be applied directly to our war on drugs. On top of that, the bank will be put under five years of strict regulatory probation, and is required to cooperate with other government money-laundering investigations. So I just don't see how one could plausibly say that this is a lenient disposition.

From the tone of the editorials and commentaries, including some by my esteemed colleague, the junior Senator from Massachusetts, one would think that BCCI is a criminal enterprise straight out of the movie "Scarface" -- that its board room is filled with bags of small bills and that its directors secretly count them up when they are not busy consorting with underworld drug kingpins. The Justice Department prosecutors who spent several years investigating

and toiling over this case know that that is a ridiculous and fanciful conception.

In reality, the charges in the case arose from the conduct of a few of BCCI's more than 14,000 employees. No member of the bank's senior management or its board of directors was alleged even to have been aware of any of the matters in the indictment. In fact, the few individual employees who were caught in the government's sting operation specifically warned the undercover agents not to discuss the suspect transactions with other employees at BCCI -- and especially not with their superiors -- because they knew that the activities violated specific written policies of the bank. None of the money-laundering transactions charged in the indictment transactions involved cash; all of them were wire transfers directed by the undercover agents themselves. The transactions amounted to \$14 million dollars in total, spread out over the span of a year, a rather small fraction of the billions of dollars in wire transfers that large banks like BCCI generally transact every year. Only normal banking fees were charged for these transfers -- not the inflated fees typically charged by criminal money launderers --and since the transfers were well-documented with all of the forms and records required by the bank's internal policies, there was no apparent reason for senior management to question any of these transactions. The total profit to BCCI from all of the indicted transactions was less than \$200,000, a sum which the bank will pay back

practically a hundred times over in the fine provided for in the settlement.

So there was no systemic money laundering here. There is no basis to believe that drug-money laundering has ever been this bank's policy or primary occupation, and there is no basis to equate this bank with "the international drug cartel," as some of its more extreme critics would seem to suggest. It is a large and widely-respected international corporation, some of whose lower-level employees committed serious misdeeds in violation of its own written rules. Nobody knows these facts better than the Justice Department officials themselves. I have spoken with them at length about this case and I can find no reason whatsoever to second-guess their judgment.

I have heard BCCI sometimes referred to as "General Noriega's bank," despite the fact that numerous other major banks worldwide held substantial Noriega assets. Based on U.S. government estimates that Mr. Noriega deposited some \$200-\$300 million of foreign bank accounts, BCCI held less than ten percent of that, most in an account owned by the Panamanian Defense Forces. It has even been suggested that the assets which the PDF did deposit at BCCI consisted of U.S. government payments to Noriega. So it would be unfair to exaggerate this aspect of the case, and indeed short-sighted, because whatever information the bank does possess with regard to Mr. Noriega is part and parcel of the settlement argument, which guarantees this bank's cooperation in the Justice Department's Noriega

prosecution. In fact, the critics who would undermine that settlement would, ironically, actually be assisting Noriega's defense (albeit inadvertently) by hindering that prosecution.

The Justice Department also understands, better than any of us can, the position that this bank is in to offer even further cooperation and assistance in the global drug war. They know what cooperation this bank has offered in the past, and what cooperation it can provide in the future. This bank has operations in 73 countries all over the world. No one can evaluate better than DOJ how valuable its assistance will be in cracking the international drug cartel. They are the ones who are out there on the front lines of this war, and they are the ones who are best suited to make these kinds of tactical calls.

The DOJ settlement also puts the bank on five years of strict regulatory probation, under the oversight of the Board of Governors of the Federal Reserve System, any violation of which will bring further penalties upon the bank. And it recognizes the many internal reforms and compliance efforts that have been undertaken by the bank since the charges were returned. The bank has completely overhauled the management of its American operations; it engaged outside auditors and counsel to formulate and implement new compliance procedures and controls; it put all of its customer accounts and current transactions under the scrutiny of these outside auditors; it closed customer accounts that did not satisfy the management review team, and reported those accounts to law enforcement

authorities where appropriate; it voluntarily closed certain of its agencies in Florida to ensure tighter control over its overall operations; it has instituted a major worldwide compliance effort and has cooperated closely with American and other international law enforcement authorities; and I am informed that state banking regulators have already noted significant improvements as a result of these efforts.

Notwithstanding all of this, there have been some calls to put BCCI out of business in this country, and even to revoke the license of any bank that is ever convicted of a money-laundering offense. I wonder what the face of corporate America would look like if that penalty were imposed on every bank or large corporation that found itself in a situation similar to BCCI's. Under our principles of law, a corporation can properly be held criminally accountable for the conduct of any of its agents or employees, no matter how lowly. I cannot believe that we would seriously want to put the very survival of our greatest and most venerable financial institutions at the mercy of every teller or loan officer who happens to work for them, and whose every actions cannot possibly be controlled, as a practical matter, by any large company. Let's remember that if we did that, then an awful lot of banks -- the Bank of New England, Great American Bank, Bank of America, Bank of Boston -- could be out of business right now. All of those banks and scores of others have either been convicted of criminal money-laundering or paid civil penalties for arguably

criminal activities. I think it would set a very dangerous precedent to require such a draconian penalty in every such case. And I do not believe it would be advisable, even if it were practical, because it would harm all of the innocent depositors, employees, and investors of those banks. I think it is far more effective in our fight against drugs to impose significant and incarceration upon the individual criminal employees, to impose significant but reasonable penalties on the banks themselves, and to encourage the banks to undertake precisely the sort of compliance controls and cooperation that BCCI has done here. To put them all out of business forever would indeed be throwing out the baby with the bath-water.

There is one final aspect of this matter that causes me real concern, and that is the arguably discriminatory character of the criticism. It would be grossly unfair to impose penalties on this foreign bank that no other bank has ever suffered, even for comparable and greater misconduct. Such a response could even result in retaliatory actions against U.S. banks operating abroad.

We all know that our national anti-drug policy has drawn plenty of fire from some of our international neighbors who accuse us of attempting to shift the weightiest burdens of our drug enforcement plans to them; that we are quick to point out what sacrifices they must make to combat supply, but slow to impose hardships on ourselves to reduce the demand; that we are in reality asking them to pay the price for our war on drugs.

Whether justified or not, such perceptions that we are being hypocritical in our approach surely cannot promote the kind of cooperation that is imperative if we are to solve these enormous, global problems.

Senators, I am seriously concerned that the recent criticism of the BCCI settlement -- a settlement which by any objective or rational standard is fair and effective -- will only reinforce this debilitating perception. It will do so because it seeks to make a example of a foreign bank, by imposing unprecedented penalties for conduct of which numerous domestic banks have been convicted, and for which those domestic banks have truly received but a "slap on the wrist." We must take an aggressive attitude against money-laundering, but it will not be lost on the international community that the BCCI critics would single out a foreign bank for this unprecedented punitive treatment. I, for one, do not think that is how we should go about this business, nor do I believe that approach serves the national interest.

The prosecutors who worked long and hard on the BCCI case know and believe and have represented to the federal court that this settlement reflects the true severity of the offenses committed, provides just punishment, and confers substantial compensation and assistance to the United States. It affords strong deterrence to future criminal conduct, and it will be of enduring value in the war on drugs. This criticism of the Justice Department strikes me, in truth, as armchair quarterbacking. It is neither objective nor justified.

THURSDAY 25 JANUARY 1963

REF.	NAME OR PROJECT	DETAILS OF MEETINGS - AGREEMENTS - DECISIONS		
		1	2	3
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				
14				
15				
16				
17				
18				
19				
20				
21				
22				
23				
24				
25				
26				
27				
28				
29				
30				
31				
32				
33				
34				
35				
36				
37				
38				
39				
40				
41				
42				
43				
44				
45				
46				
47				
48				
49				
50				
51				
52				
53				
54				
55				
56				
57				
58				
59				
60				
61				
62				
63				
64				
65				
66				
67				
68				
69				
70				
71				
72				
73				
74				
75				
76				
77				
78				
79				
80				
81				
82				
83				
84				
85				
86				
87				
88				
89				
90				
91				
92				
93				
94				
95				
96				
97				
98				
99				
100				
101				
102				
103				
104				
105				
106				
107				
108				
109				
110				
111				
112				
113				
114				
115				
116				
117				
118				
119				
120				
121				
122				
123				
124				
125				
126				
127				
128				
129				
130				
131				
132				
133				
134				
135				
136				
137				
138				
139				
140				
141				
142				
143				
144				
145				
146				
147				
148				
149				
150				
151				
152				
153				
154				
155				
156				
157				
158				
159				
160				
161				
162				
163				
164				
165				
166				
167				
168				
169				
170				
171				
172				
173				
174				
175				
176				
177				
178				
179				
180				
181				
182				
183				
184				
185				
186				
187				
188				
189				
190				
191				
192				
193				
194				
195				
196				
197				
198				
199				
200				
201				
202				
203				
204				
205				
206				
207				
208				
209				
210				
211				
212				
213				
214				
215				
216				
217				
218				
219				
220				
221				
222				
223				
224				
225				
226				
227				
228				
229				
230				
231				
232				
233				
234				
235				
236				
237				
238				
239				
240				
241				
242				
243				
244				
245				
246				
247				
248				
249				
250				
251				
252				
253				
254				
255				
256				
257				
258				
259				
260				
261				
262				
263				
264				
265				
266				
267				
268				
269				
270				
271				
272				
273				
274				
275				
276				
277				
278				
279				
280				
281				
282				
283				
284				
285				
286				
287				
288				
289				
290				
291				
292				
293				
294				
295				
296				
297				
298				
299				
300				
301				
302				
303				
304				
305				
306				
307				
308				
309				
310				
311				
312				
313				
314				
315				
316				
317				
318				
319				
320				
321				
322				
323				
324				
325				
326				
327				
328				
329				
330				
331				
332				
333				
334				
335				
336				
337				
338				
339				
340				
341				
342				
343				
344				
345				
346				
347				
348				
349				
350				
351				
352				
353				
354				
355				
356				
357				
358				
359				
360				
361				
362				
363				
364				
365				
366				
367				
368				
369				
370				
371				
372				
373				
374				
375				
376				
377				
378				
379				
380				
381				
382				
383				
384				
385				
386				
387				
388				
389				
390				
391				
392				
393				
394				
395				
396				
397				
398				
399				
400				
401				
402				
403				
404				
405				
406				
407				
408				
409				
410				
411				
412				
413				
414				
415				
416				
417				
418				
419				
420				
421				
422				
423				
424				
425				
426				
427				
428				
429				
430				
431				
432				
433				
434				
435				
436				
437				
438				
439				
440				
441</td				

BANK OF AMERICA   
**NEWS**

For release 30th January 1978

Newspaper articles have appeared recently suggesting that Bank of America is contemplating divesting its shareholding in BCCI.

These reports have appeared following a recent reduction in Bank of America's holding in BCCI following a rights issue in which Bank of America did not participate.

Bank of America is currently increasing its direct presence in the Middle East and to have increased its capital commitment in a bank in which Bank of America had less than a majority holding or management control would be inconsistent with current Bank of America strategy.

Bank of America does in fact have an arrangement with one of the other major BCCI shareholders which provides for the acquisition of Bank of America's stake over the next 2½ years.

This development takes place following the continuously evolving patterns in the world's financial markets which have led both Bank of America and BCCI to develop new strategies. BCCI is now a fully fledged global bank and is expected to have a net worth as at December 31, 1977 of over \$100 million with assets slightly in excess of \$2 billion.

Bank of America intends to retain a shareholding in BCCI for the foreseeable future and the close co-operation that has developed between the two banks will be maintained.

BANKOFAMERICA ~~U.S.A.~~  
**NEWS**

For release \_\_\_\_\_

SAN FRANCISCO, 1st September, 1978

Bank of America National Trust and Savings Association feels that in order to dispel any misunderstanding, it is necessary to address the Financial Times report which appeared in yesterday's edition of the newspaper (August 31, 1978).

The specific points referred to in that article, attributed to Mr. Douglas Kraus, a lawyer acting for Financial General Bank Shares, appear to be taken from Bank of America credit review files.

Bank credit review files are analytical, conservative, and closely controlled since they contain highly sensitive, privileged, and confidential information relating to the relevant relationship and represent the judgment at the time of the bank officer making the review.

It is Bank of America's present opinion that BCCI's loan reserve has been established in accordance with prudent risk management practices.

Bank of America has maintained representation on the board of BCCI since the inception of its relationship.

Bank of America supports the increasingly tighter administrative controls which BCCI management has adopted.

Thursday's report suggests that the matters contained in Mr. Kraus's statements contributed to the Bank of America's decision to reduce and eventually sell its BCCI shareholdings. As Bank of America has heretofore publicly announced, its reasons for that action are related solely to changes in market conditions, particularly in the Middle East, which make it appropriate for both institutions - the bank and BCCI - to discontinue the relationship.

Bank of America's involvement in the Financial General Bank Shares suit arises from a motion to compel production of documents in the bank's possession, and Bank of America will pursue its standard practice of responding to that motion in line with applicable law and with guidance of legal counsel.

THE WALL STREET JOURNAL

(Letters to the Editor)

July 8, 1991

Page A7

\* \* \*

Mr. Adams asserts that Sen. Claiborne Pell, chairman of the Senate Foreign Relations Committee, frustrated efforts by the committee's special counsel, Jack Blum, to investigate information relating to BCCI's role in laundering drug money for Manuel Noriega. Specifically, he stated that "Clark Clifford pulled strings with Senate Foreign Relations Chairman Claiborne Pell to stall production of crucial documents past the expiration date of Blum's contract with the subcommittee."

That statement is categorically false. On March 22, 1986, Mr. Blum circulated a memorandum to all committee members requesting authority to subpoena records of BCCI and to compel the testimony of two of the bank's managers. The committee approved this request; but for reasons known only to Mr. Blum, he did not serve the subpoena until sometime in August.

Clark Clifford called Sen. Pell to tell him of problems in complying with the subpoena. Sen. Pell referred him to me, without making any commitment or giving me any instructions. That was the end of Sen. Pell's involvement.

Mr. Clifford then called me, and I was persuaded that there were valid reasons for extending the subpoena deadline. Mr. Blum was out of town; so I checked with Sen. Kerry's office, and it was agreed that Mr. Clifford's request should be granted.

BCCI officials delivered the documents requested in late September and early October 1986. Mr. Blum had almost six months from that time until his departure from the committee staff on March 31, 1989, to investigate any questionable activities revealed in the documents and to schedule hearings.

GERYLD B. CHRISTIANSON  
Staff Director  
Committee on Foreign Relations  
U.S. Senate

Washington

\* \* \*

November 15, 1991

Robert S. Bennett  
Carl S. Rauh  
Skadden, Arps, Slate, Meagher & Flom  
1440 New York Avenue NW  
Washington DC 20005-2107

Re: Clark Clifford and Robert Altman  
Questions From Subcommittee on Terrorism

Dear Mr. Bennett and Mr. Rauh:

Enclosed are additional questions for Mr. Clifford and Mr Altman in connection with the hearing held on October 24th before the Foreign Relations Subcommittee on Narcotics and Terrorism.

As the Subcommitee held only one day of public hearings with your clients, there are several areas of inquiry.

We are keeping the record open and request you provide responses no later than December 10, 1991, certified by Mr. Clifford and Mr. Altman, as applicable, in affidavit form under oath.

Additionally, we have not heard from you concerning the documents which were previously requested by the Subcommittee and which you are withholding on the basis of attorney/client privilege, from the liquidators of BCCI and their attorneys, as well as from the Foreign Relations Committee.

We would appreciate receiving a detailed explanation from you setting forth any purported justification for withholding these documents from the Committee, and from the law firm of Nussbaum and Wald in its capacity as attorney to the liquidators of BCCI in the United States. In your response, plead provide applicable case law, in relation to Congressional subpoenas and to the right to withhold documents from successor counsel, that may support your position on this matter.

We would also appreciate receiving further explanation of the representations you made to the Committee that you are unable to determine who correctly represents BCCI in the United States today. As noted in the hearing, BCCI's previous counsel of record, Patton, Boggs & Blow, advised the Committee in July that it no longer represented BCCI, and that BCCI was now in liquidation and represented by the Nussbaum firm. We would appreciate receiving any information on which you have relied in making representations to the Committee that you are uncertain as to whether the Nussbaum firm indeed now represents the liquidators as successors to BCCI.

We again urge you to provide the documents in question to the Nussbaum firm so that it may independently determine the applicability of privileges you have invoked, which belong to BCCI as the client, not to the attorneys.

We would also note that there is no constitutional basis for applying the attorney-client privilege to limit the power of the U.S. Senate to subpoena documents from private parties. Given that some of the documents in question relate to the production of documents pursuant to a subpoena issued by the United States Senate in 1988, the Subcommittee is prepared to issue a new subpoena should that be necessary.

Finally, at the October 24th hearing Mr. Clifford and Mr. Altman stated that they would provide the Subcommittee with an itemized list of legal fees paid out during the Tampa case involving BCCI and officers of the bank. That list should include any law firm which participated as well as consultants, public relations firms, investigative firms and Price Waterhouse.

We look forward to your cooperation on these matters. Should you have any questions, please do not hesitate to call either David McKean or Jonathan Winer.

Sincerely,

John Kerry, chairman  
Senate Subcommittee  
On Terrorism, Narcotics and  
International Operations

JOHN KERRY  
MASSACHUSETTS

United States Senate  
WASHINGTON, DC 20510

December 11, 1991

Robert S. Bennett  
Skadden, Arps, Slate, Meagher & Flom  
1440 New York Avenue NW  
Washington DC 20005-2107

Re: Clark Clifford and Robert Altman  
Status of Answers to Interrogatories, Document Requests  
From Foreign Relations Subcommittee

Dear Mr. Bennett:

This letter is to confirm our conversation yesterday regarding the status of Mr. Clifford and Mr. Altman's responses to outstanding requests of the Subcommittee on Terrorism, Narcotics and International Operations.

You advised me that in recent weeks, other legal business of Mr. Clifford and Mr. Altman in connection with pending matters in New York delayed your ability to turn your attention to these matters. You agreed to produce answers to the interrogatories before the end of the year.

Regarding the continuing issue of your clients' unwillingness to provide the Subcommittee with documents concerning Amjad Awan and other BCCI matters which they contend are protected by the attorney-client privilege, you advised me that you were not personally handling this matter. Accordingly, you agreed to review the status of that situation and advise us of your clients' current position regarding it shortly.

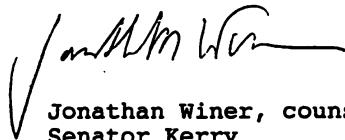
We also have yet to receive any response to Senator Kerry's request for further information concerning the representations you made to the Subcommittee that you were unable to determine who now represents BCCI in the United

States. Again, Senator Kerry requests that you provide any information on which you relied in making representations to the Subcommittee that you could not determine who represented the liquidators as successors to BCCI.

Finally, in the period since the previous set of questions, additional information has been received by the Subcommittee raising additional questions. These questions, to be answered under oath by Mr. Clifford and Mr. Altman, are enclosed. It would be appreciated if they could be provided the Subcommittee no later than January 15, 1991, regardless of any other legal activity that might take place concurrently.

If you have any questions concerning this letter, please do not hesitate to contact me, or David McKean of this office.

Sincerely,



Jonathan Winer, counsel  
Senator Kerry

Enclosure

Additional Questions To Mr. Clifford and Mr. Altman

1.) Mr. Altman, do you know Mr. Mohammed Irvani? Did you hold a power of attorney for Mr. Irvani? On what occasions, if any, did you exercise that power?

2) Mr. Clifford and Mr. Altman, do you know Mr. Bahman M. Irvani? Please describe any meetings or conversations you may have had with Mr.Irvani.

3.) Mr. Altman, BCCI did not have a cash window in New York. The Subcommittee has received information that for several years, First American's cash windows were routinely used by BCCI on behalf of its customers, through the practice of BCCI employees obtaining cashier's checks on their behalf from BCCI and cashing them at First American.

Were you ever made aware of this practice? If so, please specify when, by whom and under what circumstances.

Please specify who at First American would have had the authority to approve this practice?

4) Mr. Clifford and Mr. Altman, when was the last time that either of you had any contact with Mr. T. Betram Lance? Please describe that meeting or conversation.

5) Mr. Clifford and Mr. Altman, in the summer of 1978, did you have a meeting at the Quadrangle apartments in London? Who were the participants in that meeting? What was discussed?

6) Mr. Altman, during the course of the Financial General takeover battle and acquisition in the period 1978-1981, did you ever discuss BCCI with any representative of the United Arab Emirates Embassy? Please provide the date and describe the conversation.

7) Mr. Clifford and Mr. Altman, did you meet with Mr. Darwaish in June, 1978 in London in his personal residence?

If so, please describe who was present at the meeting, and what was discussed.

8) Mr. Altman, did you meet with Mr. Darwaish in London in August, 1978? If so, please identify any individuals who were at any such meeting, and the substance of what was said during the meeting.

9) Mr. Clifford and Mr. Altman, in 1978 did you ever discuss with anyone the possibility of ICIC purchasing a stock

interest in CCAH? If so, please identify any individuals with whom this was discussed, the dates of any such communications, and the substance of any communications regarding this issue.

10) Mr. Clifford and Mr. Altman, have you maintained bank accounts in any bank or branch located in the Caribbean, Latin America, or South America at any time since January 1, 1986? If so, please identify each such account, the bank in which any such account was held, the location of the bank, the amounts held in such accounts, the date each such account was opened, and the date each such account was closed.

11) Recently, Senator Orrin Hatch has stated that Mr. Altman prepared the statement he read on the Senate floor in February, 1990, praising BCCI and its plea agreement with the Justice Department.

Please identify any individuals who contributed to the writing and preparation of this statement, and their individual role in regards to this statement.

Please provide legal time sheets for any activities by any partner or associate at your law firm in connection with its representation of BCCI and contacts with Senator Hatch or any other Senate office in the period January 1, 1990 through March 31, 1990.

Please provide all documents, including correspondence, pertaining to communications with Senator Hatch, as well as any other Senate or Congressional office, in connection with the BCCI plea agreement, or any other matter relating to BCCI in the period January 1, 1990 through March 31, 1990.

12) Mr. Altman, have you ever had any contacts with Manzur Hourani? If so, please specify. Please also describe any communications you may have had with anyone concerning Manzur Hourani.

For identification, Senator Hatch has recently stated that Mr. Altman recommended that he contact BCCI on Mr. Hourani's behalf in 1990.

Please provide copies of all documents referring to Mr. Hourani.

13) Mr. Clifford, in 1978, you went to the funeral of President Houari Boumediene in Algiers, Algeria, as part of the United States delegation.

During this foreign trip, did you have any communications with anyone regarding any matter involving BCCI? If so, please specify.

During this trip, did you meet with Kamal Adham or any representative of Sheik Zayed of Abu Dhabi? If so, please describe any conversations you may have had.

14) Mr. Altman, did you authorize or approve the retention of the investigative firm of Philip Manuel for any purpose in connection with BCCI?

If so, please specify the date of the retention, the services performed by Philip Manuel, and the names of all individuals and entities investigated by Philip Manuel in connection with BCCI.

## Clifford/Altman

- 1) Mr. Altman, when did you first meet Mr. Abdullah Darwisch
- 2) Mr. Altman, where and how did you meet him?
- 3) Mr. Altman, in the 1978 takeover attempt, did you obtain any document from Sheikh Sultan authorizing you to act for him in the takeover? If so, please provide the Committee with a copy of all such documents.
- 4) Mr. Altman, in the SEC 13D filed by Sheikh Sultan March 17, 1978, filed by Clark Clifford, Esq, it is set forth that Sheikh Sultan paid almost \$4,000,000 for his FGB shares and that "such funds were supplied by the undersigned from his personal resources," that he "determined independently to make an equity investment in the company," and no other person has an economic interest in the shares of common stock beneficially owned by the undersigned..."

Please describe the full extent of your inquiry and search to ascertain the truth and accuracy of these statements. Please provide the Committee with a copy of all documents reflecting these inquiries and any responses thereto.

- 5) Mr. Altman, did you meet Mr. Darwisch during the two days prior to his testimony before Judge Gasch in the civil suit involving the Middle Eastern Investors and FGB in 1978? If so, where and for what purpose?
- 6) Mr. Altman, prior to Mr. Darwisch's deposition testimony in the civil suit involving the Middle Eastern Investors and FGB, did you at any time advise him on what questions might be asked and how to answer them?
- 7) Mr. Altman, please identify any attorney who represented Mr. Darwisch during his deposition testimony in the civil suit.
- 8) Mr. Altman, Mr. Darwisch testified that he "did not act for any member of the Royal family except Mohammed," and that he "didn't have the power to decide investments for any member of the Royal family except Mohammed," from that point until the public tender offer was completed in April, 1982. Did you have any information by April 1982, to indicate that he had misrepresented or untruthfully characterized his authority or position to act for Sheikh Zayed?

- 9) Mr. Altman, did you ever learn that Mr. Darwisch, during the time of the FGB purchases and acquisition, from 1977 to 1982, had full power to "oversee his (Zayed's) wealth", "manage the daily transactions of the Sheikh's millions", and "had no boundaries to his authority to invest the Sheikh's funds?" If so, when and how?
- 10) Mr. Altman, were you aware at the time of the tender offer in April, 1982 that Mr. Darwisch had been dismissed as Chairman of the Department of Personal Affairs of Sheikh Zayed in January? If not, when did you first become aware of his dismissal? How?
- 11) Mr. Altman, did you have personal, direct communication with Mr. Darwisch at any time in the six months prior to filing the documents with the SEC on his behalf in March, 1982?
- 12) Mr. Altman, were you aware at any time prior to the completion of the tender offer in April, 1982 that Mr. Darwisch was under arrest for fraud?
  
- 13) Mr. Clifford, after the Washington Post reported in August 1981 that Mr. Darwisch had been under house arrest at the time of the Federal Reserve hearing, did you write a letter to the Editor of that newspaper complaining about inaccuracies in the story? If so, please provide the subcommittee a copy of that letter.
- 14) Mr. Clifford, were you Chairman of the Foreign Intelligence Advisory Board between April 1963 and February 1968?
- 15) Mr. Clifford, what were your responsibilities as Chairman of the Foreign Intelligence Advisory Board?
- 16) Mr. Clifford, did you maintain contacts in the intelligence community after you left the Foreign Intelligence Advisory Board? If so, with whom?
- 17) Mr. Clifford, did you ever advise President Carter on intelligence matters or any foreign policy issue? If so, please specify.
- 18) Mr. Clifford, Mr. Adham and the other investors from various Middle Eastern countries were involved with the takeover of Financial General at approximately the same time as the Camp David Accords were being negotiated -- Was this a coincidence or was there a connection? Were you aware of any contacts Mr. Adham may have had with

either the USG or Anwar Sadat? If so, what was your source for this information?

- 19) When and where did you first meet Mr. Kamal Adham? What was the purpose of the meeting? Who else was present?
- 20) Mr. Clifford, do you know if Mr. Adham was involved in "brokering" the Camp David Accords through acting as a liaison to Anwar Sadat?
- 21) Mr. Clifford, in your testimony before the House you stated that "I learned from others that our intelligence operations had a very high opinion of him [Kamal Adham]. They felt he had cooperated exceedingly well with the United States."

With whom in the intelligence community did you discuss Mr. Adham?

- 22) Mr. Altman, you discussed in your prepared remarks before the House Banking Committee the fact that there were extensive, independent investigations where various Federal agencies assisted the Federal Reserve and state bank regulators. What do you understand to have been the extent of the CIA's investigation into the backgrounds of the investors?
- 23) Mr. Clifford, do you believe that Mr. Adham's past intelligence ties should have had any impact on his ability to serve as a major shareholder in Washington's largest financial institution?
- 24) Mr. Clifford, did you ever discuss any issue of Middle East policy, or U.S. foreign policy, with any of the foreign shareholders or officers of BCCI? If so, please identify the issue, the individual with whom you discussed the issue and the date of each such discussion.
- 25) Mr. Clifford, do you have any information to lead you to believe that BCCI was ever used as an instrument of the foreign policy of any of the Middle Eastern governments involved with the bank?
- 26) Mr. Clifford, since 1981, have you ever met with Executive Branch officials and made recommendations on any U.S. policy towards any Middle Eastern state on any matter? If so, under what circumstances? Please identify the substance of each such communication and the identities of each party to such communications.

- 27) Mr. Clifford and Mr. Altman, how many of the original investors in FGB had you actually met by the time of the takeover of FGB in 1982? Please specify each by name and the date of each such meeting.
- 28) Mr. Altman, please specify which of the investors had provided you with power of Attorney at any time. If you retain any documents reflecting such power, please provide them to the Committee.
- 29) Mr. Clifford and Mr. Altman, who asked you to represent the investors whom you had never met?
- 30) Do either of you know Mr. Bruce Rappaport? Have either of you ever met with Mr. Rappaport?
- 31) Do either of you know Mr. Alfred Hartman? On how many occasions have you met with Mr. Hartman? Please specify the locations, dates, and substance of each such meeting.
- 32) Do either of you know Mr. Robert Magness, the chairman of TCI? If so, please identify any communications you may have had, including the date, substance, and parties to all such communications.
  
- 33) Mr. Altman, in your September 11 appearance before the House Banking Committee you testified that "As we were considering expansion possibilities, we learned that the owner of NBG, Gaith Pharaon, was in financial difficulty and might be willing to sell the bank." Please identify any sources who provided you with this information.
- 34) Mr. Altman, in that same testimony you stated that "in a conversation with Mr. Abedi, whom we knew to be an associate of Mr. Pharaon, we explained First American's interest in purchasing the bank if it were to be sold." When and where did you have that conversation?
- 35) Mr. Altman, prior to completing the purchase of NBG by First American, had you ever learned that Mr. Pharaon was an associate or a client of BCCI? What did you know about Mr. Pharaon's relationship with BCCI? From what sources? Please provide any documents referring to such information.
- 36) Mr. Altman, what information did you have at the time concerning the extent of Mr. Pharaon's prior banking experience? Please provide any documents referring to such information.

37) Mr. Altman, did you ever learn that Mr. Pharaon was in financial difficulty? If so, when and from whom? What were you told? Please provide any documents referring to such information.

38) Mr. Altman, which of the annual BCCI conferences did you attend?

39) Mr. Altman, the list of other attendees at the BCCI annual conferences, as noted, for example, at the Vienna conference in 1984, included representatives from the National Bank of Georgia.

At the time, what did you understand the reason to be that representatives from the National Bank of Georgia were in attendance?

40) Mr. Clifford, did you attend the opening of a Florida agency of BCCI in February, 1986?

41) Mr. Clifford, while in Florida in February, 1986, did you meet with Mr. Roy Carlson, President of the First National Bank of Georgia, and Mr. Abedi to discuss the possible takeover of NBG by First American?

42) Mr. Clifford, who else was at that meeting?

43) Mr. Clifford, what did Mr. Abedi say at that meeting?

44) Mr. Altman, you stated in your prepared testimony before the House that "our analysis of NBG revealed that it had adopted or practiced many of BCCI's banking concepts when it was owned by Mr. Pharaon." Please provide a copy of this analysis. What information did you have at the time of the NBG tender offer regarding BCCI's involvement with NBG?

45) Mr. Altman, who hired Charlie Jones to lobby the Georgia legislature in order to have the law changed so that First American could acquire NBG?

46) Mr. Altman, who paid Mr. Jones?

47) Mr. Altman, did you ever learn how much was expended on the lobbying campaign to persuade the Georgia legislature to change the banking law in that state? If so, from whom and when?

48) Mr. Altman, Roy Carlson has stated that he believes there may have been some excesses in the Georgia lobbying campaign -- Do you agree? If so, please be specific about where those excesses occurred.

- 49) Mr. Altman, in a deposition you gave on June 23, 1988 in a civil suit filed by the Minority shareholders against Virginia Bankshares, you said the following: "Well, the cost of the National Bank of Georgia transaction was approximately \$255 million."

Please specify how you arrived at this figure.

- 50) Mr. Clifford and Mr. Altman, you had numerous meetings with Mr. Abedi leading up to the takeover of NBG --did Mr. Abedi ever state to you what factors led to the selection of NBG as a takeover target? Please provide any documents reflecting any communications by Mr. Abedi regarding the NBG takeover.
- 51) Mr. Altman, which law firm represented First American in the takeover of NBG? Which law firm represented NBG?
- 52) Mr. Clifford and Mr. Altman, in your testimony before the House, you stated that you were advised by counsel to approach BAI for a personal loan. Why were you advised to seek a loan from a foreign bank?
- 53) Mr. Clifford and Mr. Altman, were you aware at that time that BCCI and BAI shared directors?
- 54) Mr. Altman, are you familiar with an entity, "Land S Commodities?" If so, please specify any information you may have about this entity and any ties it may have to BCCI, CCAH, or any shareholders, officers, or employees of either entity.
- 55) Mr. Altman, when and where did you first meet Mr. Awan?
- 56) Mr. Altman, how large was the staff of BCCI's Washington Rep office during the 1980's?
- 57) Mr. Altman, how many of those individuals did you meet? Please list the names of the individuals and specify the persons with whom you had regular contact.
- 58) Mr. Altman, what was Mr. Awan's function at the BCCI Washington Representation Office?
- 59) Mr. Altman, in response to the Senate Foreign Relations subpoena in July, 1988, to Awan and BCCI, who conducted the search for relevant documents? Please describe your

meetings in connection with this search and any statements you made to Mr. Awan or he made to you. -

- 60) Mr. Altman, in which institutions or bank branches did you search for documents? Did you review the documents that were produced?
  - 61) Mr. Altman, did you review documents in London involving the assets of General Noriega at BCCI? If so, when? Did those documents contain references to BCCI's account at First American in Washington?
  - 62) Mr. Altman, at the time, were you aware that the BCCI Washington Representative office maintained an account with First American?
  - 63) Mr. Altman, did you instruct either BCCI or First American to review that the BCCI account at First American for transactions or cancelled checks related to General Noriega?
  - 64) Mr. Altman, did you ever undertake any steps to prevent Mr. Awan from testifying before the Subcommittee?
  - 65) Mr. Altman, did you ever discuss the removal of BCCI documents from the United States and placement overseas?
- 
- 66) Mr. Altman, one of the main tenets of the plea agreement was the pledge by BCCI to cooperate with the Justice Department. I have a memo from B.A. Palkhiwala dated March 1, 1990 titled "status report on Miami Agency License". The memo is to Mr. Naqvi, but you are copied.

The memo discusses a conversation that Mr. Palkhiwala, Mr. Wechsler and Mr. Baldwin concerning how to deal with the IRS. Mr. Palkhiwala notes that he and the others "that cooperation had already begun." What was the nature and extent of that cooperation?

In that same memorandum, Mr. Palkhiwala notes "On the one hand, we have the U.S. Justice Department, the U.S. Attorney's Office and the Federal and State Regulators, confirming the progress of BCC the new professionalism and the fact that the Bank is now considered to be a good corporate citizen. On the other hand, some government departments are hostile and refusing, by their actions to acknowledge this fact." Did Mr. Palkiwala's memo reflect your thinking at the time? On what was it based?

- 67) Mr. Altman, did you hire or authorize the hiring of any investigator or investigative firm for BCCI subsequent to the bank's indictment in Florida? If so, please specify who or what those individuals or firms investigated.
- 68) Mr. Altman, in your May 8, 1990 memo to the file you describe a discussion at the Federal Reserve with Mr. Rybeck and others in which you said that "testimony in the Tampa criminal proceedings by the government's chief witness appeared fully to rebut the Wall Street Journal contention that widespread moneylaundering was known and condoned at the highest levels of BCCI senior management." Please specify in detail what you told the Federal Reserve. Please provide all documents referring to this discussion.
- 69) Mr. Clifford, did you ever meet with Mr. Abedi in the presence of President Carter? Have you ever discussed BCCI or Mr. Abedi with Mr. Carter?
- 70) Mr. Clifford and Mr. Altman, between 1978 and 1990, how many trips, approximately, did you make to Pakistan? Please specify the dates of each such trip, who paid for each trip, and who you met with on each such trip.
- 71) Mr. Altman, did you or your firm represent any entity in litigation involving Attock Oil at any time? If so, please specify the nature and extent of each such representation.
- 72) Mr. Altman, in a letter to Robert E. Manion, Associate General Counsel of the Federal Reserve, dated May 9, 1978, three months after the Attock oil takeover, you wrote:
- "We understand that prior to the commencement of the litigation referred to on the first page of the April 7 letter, there was no relationship of any kind between Sheik Kamal Adham, Faisal Saud Al Fulaij , Sheik Sultan, Darwisch and Sheik Mohammed....."
- Did you subsequently learn that Mr. Fulaij and Mr. Adham had combined months before the Financial General takeover to take over Attock oil? If so, when and from what source?
- 73) Mr. Clifford, we asked you to provide documentation of your statement before the House Banking Committee that "the law firm of Clifford and Warnke was retained at the

express request of the shareholders to serve as general counsel to First American."

Your counsel provided us with a letter dated March 8, 1985 in which Mr. Adham stated, "At the time we gained control of the Company I expressed to you that it was the will of the Shareholders that your law firm should take over the legal representation of each of the member Banks. You suggested that this be delayed until a reasonable period has been allowed for the transition from old ownership to the new.

"It is now almost three years since we gained control, and we see no reason for further delay in complying with our wish in this regard."

Who represented the shareholders between the takeover and March 8, 1985?

Why did Mr. Adham wait three years before expressly retaining the law firm of Clifford and Warnke?

- 74) Mr. Altman, are you familiar with ICIC? If so, please identify the nature of ICIC, its purpose, ownership, and its assets, to the extent you have information on these matters.
- 75) Mr. Altman, did First American ever purchase or hold a certificate of deposit with ICIC?
- 76) Mr. Altman, on what date was the CD purchased?
- 77) Mr. Altman, what was the amount of the CD?
- 78) Mr. Altman, on whose recommendation was this transaction made? With whom at ICIC was it discussed? Was it discussed with anyone at BCCI? Please provide all documents referring to this transaction.
- 79) Mr. Altman, who at First American evaluated the credit worthiness of ICIC? How was the evaluation conducted?
- 80) Mr. Altman, in which jurisdictions, if any, was ICIC licensed as a deposit-taker?
  
- 81) Mr. Altman, when did you first become aware of Munther Bilbeisi and his connections to BCCI?

- 82) Mr. Altman, when did you first become aware that the Miami branch office may have been involved in illegal dealings with Mr. Bilbeisi?
- 83) Mr. Altman, you have testified that you never met Mr. M. Hammoud. Have you ever spoken to Mr. Hammoud by phone?
- 84) Mr. Altman, did you correspond with Mr. Hammoud in the period of 1978-1990? If so, please provide all documents referring to Mr. Hammoud, or including Mr. Hammoud, to the Committee.
- 85) Mr. Altman, did you ever discuss Mr. Hammoud with any member of the United States Congress between 1980 and August, 1991? If so, please specify when, where and with whom those conversations took place.
- 86) Mr. Altman, do you have any knowledge of meetings between any member of the United States Congress and Mr. Hammoud? If so, please specify any information you have, including the date and subject matter of such meetings.
- 87) Mr. Altman, did you represent Mr. Hammoud in any transactions in the U.S.? Please specify each such transaction.
- 88) Mr. Altman, in a February 16, 1990 memo to BCCI, Clifford and Warnke itemized "legal expenses for services rendered to BCCI July 1, 1989 through February 5, 1990." In that memo, on page three, you wrote that you held meetings with Congressional staffs and Senators. Please specify which staffs and which Senators you met with and the substance of each discussion?
- 89) Mr. Altman, in that same paragraph of the February 16, 1990 letter, you wrote "review of a "Dear Colleague" letter from Senator John Kerry to all members, and preparations or responses thereto." This reference to the Dear Colleague is apparently one sent concerning Senator Kerry's Bank Charter Revocation bill, introduced in early 1990. Please provide copies of all documents you prepared in connection with that letter.
- 90) Mr. Altman, in that same memorandum, you wrote that the firm reviewed BCCI accounts in Monte Carlo. Which accounts are you referring to?

- 91) Mr. Clifford and Mr. Altman, please specify each loan to bank shareholders, officers, directors at First American -- and to shareholders, officers and directors of each holding company or subsidiary of First American -- on a year by year basis during your tenure as Chairman and President, respectively, of the bank.
- 92) Mr. Clifford and Mr. Altman, was Senator Mathias, a director of First American, advised of your purchase and sale of CCAH stock? If so, when?
- 93) Mr. Clifford and Mr. Altman, in your written responses to questions from the House Banking Committee, you stated that "in the mid-1980's, Clifford and Warnke provided certain legal advice to Sheikh Hamal Adham in connection with a business venture unrelated to any banking matter." Please provide the subcommittee with a description of the business venture.
- 94) Mr. Clifford and Mr. Altman, according to written responses you provided the House Banking Committee, "In the mid-1980's, Clifford and Warnke were asked by Mr. Abedi to identify possible opportunities for investment, in the form of corporate acquisitions, for Sheikh Zayed." What potential investments did you identify for Mr. Abedi, who was acting in his capacity as investment advisor to Sheikh Zayed?
- 95) Mr. Altman, what is Altman Productions? Please provide the incorporation papers for Altman Productions.
- 96) Mr. Altman, you provided the subcommittee with a memorandum dated May 8, 1990, regarding a "meeting with Federal Reserve staff." Who drafted this memorandum? When was this memorandum drafted? Were there contemporaneous notes taken at the meeting?

## SKADDEN, ARPS, SLATE, MEAGHER &amp; FLOM

1440 NEW YORK AVENUE, N.W.

WASHINGTON, D.C. 20005-2107

FAX (202) 393-5760 / CABLE: SKADDEN

(202) 371-7000

DIRECT DIAL  
(202) 371-

February 7, 1992

BOSTON  
BRUSSELS  
CHICAGO  
HONG KONG  
LONDON  
LOS ANGELES  
NEW YORK  
SAN FRANCISCO  
SYDNEY  
TOKYO  
TORONTO  
WILMINGTON

BY HAND

Senator John J. Kerry  
421 Russell Senate Office  
Building  
Washington, D.C. 20510

Dear Senator Kerry:

Enclosed please find affidavits of Robert A. Altman and Clark M. Clifford responding to the remaining questions posed in your letter dated November 15, 1991 and Mr. Winer's letter dated December 11, 1991.

Certain of the questions requested production of documents as well as responsive information. We are in the process of collecting responsive material, which we will forward under separate cover.

As with the questions answered by Messrs. Clifford and Altman in the affidavits submitted on January 17, 1992, many of the matters which are the subject of the questions posed transpired more than a decade ago. In addition, it would appear that many of the questions are predicated upon specific documents or information with which we are not familiar. Messrs. Clifford and Altman therefore have not had the opportunity to review these documents in an effort to refresh their respective recollections of the matters under review.

Sincerely,

Robert S. Bennett

Carl S. Rauh

Enclosures

AFFIDAVIT OF ROBERT A. ALTMAN

I, Robert A. Altman, being duly sworn, do depose and state as follows:

I am providing this affidavit at the request of Senator John F. Kerry, Chairman of the Subcommittee on Terrorism, Narcotics and International Operations of the Senate Foreign Relations Committee. By letters to my counsel, Robert S. Bennett, dated November 15, 1991 and December 11, 1991, my responses were sought to certain questions in connection with the hearings held before the Subcommittee. Many of those questions, including those answered below, seek detailed information about conversations and events which occurred as many as fourteen years ago. The answers herein reflect my recollections of the matters under review, and are provided to the best of my knowledge and belief.

With respect to questions posed in December 15, 1991 letter from Senator John F. Kerry, Chairman, Senate Subcommittee on Terrorism, Narcotics and International Operations to Robert S. Bennett, Esq., the answers are as follows:

1. To the best of my recollection, I first met Mr. Abdullah Darwaish in 1978 in connection with the Financial General Bankshares ("FGB") legal proceedings.

2. I do not specifically recall where I first met Mr. Darwaish, or how the meeting was arranged.

3. I do not recall obtaining such a document fourteen years ago.

4. I do not recall the inquiry made in connection with the statements reflected in the Schedule 13D filed on behalf of Sheikh Sultan on March 17, 1978 -- approximately fourteen years ago. To the best of my recollection, this Schedule was drafted by attorneys at Wachtell, Lipton, Rosen & Katz ("Wachtell, Lipton"), who were serving as co-counsel in connection with the Securities and Exchange Commission's ("SEC") investigation and the FGB litigation. I understand that there was testimony during depositions in the FGB litigation concerning these issues.

5. I do not recall Mr. Darwaish testifying before Judge Gasch in the FGB litigation. Please also see my response to question 6 below.

6. I do not specifically recall discussions with Mr. Darwaish that occurred fourteen years ago, and have not been authorized to waive any attorney-client privilege that may be applicable to such conversations. I have a practice of meeting

with clients prior to their depositions in civil matters. I believe I would have followed this practice with regard to Mr. Darwaish, although I do not specifically recall. It is also my practice to advise clients always to tell the truth in their testimony. I believe I would have made a similar statement to Mr. Darwaish prior to his deposition. As indicated in his affidavit, Michael Schwartz of Wachtell, Lipton assisted in preparing Mr. Darwaish for his deposition.

7. To the best of my recollection, Mr. Darwaish was represented at his deposition on September 19 and 20, 1978 by Steven M. Barna of Wachtell, Lipton and me.

8. To the best of my recollection, I did not have any information by April 1982 that Mr. Darwaish had misrepresented or untruthfully characterized his authority or position to act for Sheikh Zaiad. I understand that Mr. Darwaish testified in the FGB litigation that he acted as investment advisor to Sheikh Zaiad, and that as Chairman of Sheikh Zaiad's Personal Department he supervised Sheikh Zaiad's investments.

9. I do not recall the context in which the quoted remarks contained in this question appeared. As I explained in my answer to the previous question, I understand that Mr. Darwaish testified in the FGB litigation that he served as an investment advisor to Sheikh Zaiad and, in his capacity as the Chairman of Sheikh Zaiad's Personal Department, he supervised Sheikh Zaiad's investments.

10. To the best of my recollection, I was not aware at the time of the tender offer that Mr. Darwaish had been dismissed as Chairman of the Department of Personal Affairs of Sheikh Zaiad. I believe I learned of this in 1982, but I do not recall the date, nor do I recall how I first became aware of it.

11. I do not recall whether I had any personal direct communication with Mr. Darwaish during the six months prior to March 1982.

12. To the best of my recollection, I was not aware prior to the completion of the tender offer that Mr. Darwaish had been placed under house arrest for fraud. I do not recall the date I learned of this, nor do I recall how I first became aware of it.

\* \* \*

With respect to the questions numbered 6 through 14, renumbered 101 through 110 for purposes of this affidavit, posed in the December 11, 1991 letter from Jonathan Winer, counsel to Senator Kerry, to Robert S. Bennett, Esq., the answers are as follows:

101. (renumbered question 5). I have no recollection of a residential establishment by the name of the "Quadrangle apartments" or of having met there in connection with the FGB litigation.

102. (renumbered question 6). I do not recall any such discussion.

103. (renumbered question 7). I recall having met with Mr. Darwaish in connection with the FGB litigation, but I do not specifically recall the date or location of, or discussions during the meeting(s), which may have occurred as much as fourteen years ago. To the best of my recollection, Mr. Clifford was present at a meeting with Mr. Darwaish and me. I understand that there was testimony during the course of depositions in the FGB litigation regarding a June 1978 meeting with Mr. Darwaish.

104. (renumbered question 8). As indicated in response to the question above, I recall having met with Mr. Darwaish in connection with the FGB litigation, but I do not specifically recall the date or location of, or discussions during, the meeting(s), which may have occurred as long as fourteen years ago. I understand that there was testimony during the course of depositions in the FGB litigation regarding meetings with Mr. Darwaish.

105. (renumbered question 9). The possibility of ICIC purchasing stock in CCAH was discussed with attorneys at Wachtell, Lipton and possibly with Mr. Abedi of BCCI. It also was discussed with representatives of the SEC in the course of settlement discussions leading to the entry of consent judgments against the original investors. ICIC's possible status as a CCAH shareholder also was discussed with representatives of the Federal Reserve Board. I understand my counsel is providing to the Subcommittee a copy of the SEC consent judgment with respect to Kamal Adham, and a November 24, 1978 letter to Mr. Lloyd M. Bostian, Jr. of the Federal Reserve Bank of Richmond, both of which reference the possible ICIC ownership of an equity interest in CCAH.

106. (renumbered question 10). I did not maintain a bank account in any bank or branch located in the Caribbean, Latin America or South America at any time since January 1, 1986. However, I note that at BCCI's direction payments made with respect to borrowings from BCCI in connection with my CCAH stock purchases were paid into an account at BCCI (Overseas) in the Grand Caymans. BCCI may have maintained records regarding those borrowings in the Grand Caymans.

107. (renumbered question 11). I am not familiar with Senator Hatch's comment, to which the question refers. Information regarding BCCI and the Tampa plea agreement was furnished to Senator Hatch by me and, to the best of my recollection, by Messrs. E. Lawrence Barcella, Larry Wechsler, and Raymond Banoun, who served as counsel to BCCI. I do not recall the specific role of each attorney involved, except that all sought to ensure that the information and work product supplied to Senator Hatch was complete and accurate.

108. (renumbered question 12). To the best of my recollection, I never had any contact with Mr. Hourani. I do not recall any communications with anyone concerning Mr. Hourani.

110. (renumbered question 14). To the best of my recollection, Philip Manuel was hired by the Florida law firm of Holland & Knight, counsel to BCCI, following the Tampa indictment in October 1988, in connection with an internal investigation by BCCI into the Bilbeisi coffee matter. To the best of my recollection, Philip Manuel was also retained by defense attorneys in the BCCI case in Tampa. I may have participated in the decision to retain the firm of Philip Manuel, but do not recall discussions regarding this matter. I do not specifically recall the date when the firm of Philip Manuel was retained, except that it was after October 8, 1988. I do not recall the individuals or entities investigated. I believe, however, that in connection with the Bilbeisi matter, Philip Manuel investigated the activities of certain BCCI officers, including Mr. Abdur Sakhia.



Robert A. Altman

Subscribed and sworn to before me  
this 17<sup>th</sup> day of January, 1992.



Palma L. Lewis  
Notary Public  
Cape Coral, FL 33914

AFFIDAVIT OF CLARK M. CLIFFORD

I, Clark M. Clifford, being duly sworn, do depose and state as follows:

I am providing this affidavit at the request of Senator John F. Kerry, Chairman of the Subcommittee on Terrorism, Narcotics and International Operations of the Senate Foreign Relations Committee. By letters to my counsel, Robert S. Bennett, dated November 15, 1991 and December 11, 1991, my responses were sought to certain questions in connection with the hearings held before the Subcommittee. Many of those questions, including those answered below, seek detailed information about conversations and events which occurred as many as fourteen years ago. The answers herein reflect my recollections of the matters under review, and are provided to the best of my knowledge and belief.

With respect to the questions numbered 5, 7, 9, 10 and 13, renumbered 10, 103, 105, 106 and 109 for purposes of this affidavit, posed in the December 11, 1991 letter from Jonathan Winer, counsel to Senator John F. Kerry, to Robert S. Bennett, Esq., the answers are as follows:

101. (renumbered question 5). I have no recollection of an establishment by the name of the "Quadrangle apartments" in London, or of having met there in connection with the FGB litigation.

103. (renumbered question 7). I recall having met with Mr. Darwaish in London in connection with the FGB litigation, although I do not specifically recall the location, the date or the substance of that meeting. To the best of my recollection, Mr. Altman was present at that meeting.

105. (renumbered question 9). I do not specifically recall discussions concerning the possibility of ICIC purchasing a stock interest in CCAH. I understand that my counsel is providing to the Subcommittee copies of certain documents relating to this issue.

106. (renumbered question 10). I have not maintained a bank account in any bank or branch located in the Caribbean, Latin America or South America at any time since January 1, 1986. I note that at BCCI's direction payments made with respect to borrowings from BCCI in connection with my CCAH stock purchases were paid into an account at BCCI (Overseas) in

the Grand Caymans. BCCI may have maintained records regarding those borrowings in the Grand Caymans.

109. (renumbered question 13). I do not recall any communications with anyone regarding BCCI during my 1978 trip to Algiers, Algeria as part of the United States delegation attending the funeral of Algerian President Houari Boumediene. I also do not recall meeting with Kamal Adham or any representative of Sheikh Zaiad during that trip.

Clark M. Clifford  
Clark M. Clifford

Subscribed and sworn to before me  
this 17<sup>th</sup> day of January, 1992.

Patsy L. Larson

Notary Public, 3/31/94

AFFIDAVIT OF ROBERT A. ALTMAN

I, Robert A. Altman, being duly sworn, do depose and state as follows:

I am providing this affidavit at the request of Senator John F. Kerry, Chairman of the Subcommittee on Terrorism, Narcotics and International Operations of the Senate Foreign Relations Committee. By letters to my counsel dated November 15, 1991 and December 11, 1991, my responses were sought to certain questions in connection with the hearings held before the Subcommittee. Many of those questions, including certain of those answered below, seek detailed information about conversations and events which occurred as many as fourteen years ago. The answers herein reflect my recollections of the matters under review, and are provided to the best of my knowledge and belief.

With respect to questions posed to me in the November 15, 1991 letter from Senator John F. Kerry, Chairman, Senate Subcommittee on Terrorism, Narcotics and International Operations to Robert S. Bennett, Esq., and Carl S. Rauh, Esq., the answers are as follows:

22. I have no personal knowledge of the extent of the CIA's investigation into the backgrounds of the investors. Reference to such an investigation was made by Virgil Mattingly, General Counsel of the Federal Reserve, and others before Congressional committees in 1991.
27. At the time the tender offer for Financial General Bankshares ("FGB") was concluded in April 1982, I personally had met Sheikh Kamal Adham, Faisal Fulaij, Abdullah Darwaish, Abdul Khalil and El Sayed el Jawhary. Sheikh Adham and Messrs. Fulaij, Khalil and Jawhary were present for the April 23, 1981 hearing before the Federal Reserve Board. As noted in my answers to Question 1 (from the November 15, 1991 letter from Senator Kerry to Robert S. Bennett and Carl S. Rauh) and Question 103 (renumbered Question 7 from the December 11, 1991 letter from Jonathan Winer to Robert S. Bennett), I recall having met with Mr. Darwaish in 1978 in connection with the FGB litigation. I also was present for the depositions of Mr. Darwaish, Mr. Fulaij and Sheikh Adham taken in connection with the FGB litigation. I do not specifically recall the dates of meetings with the shareholders named above prior to the acquisition of FGB.

28. Over the years I received powers of attorney from various of the CCAH shareholders that enabled me to act on their behalfs for certain purposes.
29. Clifford & Warnke and the New York law firm of Wachtell, Lipton, Rosen & Katz were asked by Mr. Agha Hasan Abedi, on behalf of the investors, to represent their legal interests in connection with the FGB proceedings.
30. I do not recall ever having met Mr. Rappaport.
31. It is my understanding that Mr. Alfred Hartman served as a member of the Board of Directors of BCCI. In 1989, I appeared before the BCCI Board to report on legal proceedings in the United States. Although I do not specifically recall, Mr. Hartman may have been present. Although I do not specifically recall, it is also possible that I saw Mr. Hartman on other occasion(s) at the BCCI offices, or at a BCCI annual conference. I do not recall meeting individually with Mr. Hartman.
32. I do not recall ever having met or communicated with Mr. Magness.

33. I do not recall the initial source(s) of this information. I believe that Dr. Pharaon's financial difficulties were discussed with, among others, Mr. Abedi and Mr. Amer Lohdi. I also believe that reports of Dr. Pharaon's financial difficulties appeared in news articles.
34. It is my understanding that Mr. Clifford recalls having such a conversation with Mr. Abedi on the telephone during the summer or early fall of 1985. It was this conversation which I referenced in my testimony before the House Banking Committee.
35. Prior to completing the acquisition of National Bank of Georgia ("NBG") by First American, I understood that Dr. Pharaon had been a shareholder of BCCI, as well as a customer and client of BCCI. It also was my understanding at that time that Dr. Pharaon received investment advice from Mr. Abedi and BCCI, and that Dr. Pharaon had a banking relationship with BCCI. I cannot specifically recall the initial source of this understanding. To the best of my recollection, the relationship between BCCI and Dr. Pharaon was discussed with Dr. Pharaon, Messrs. Abedi, Swaleh Naqvi, Lohdi, and others.

36. It was my understanding at the time of the NBG acquisition by First American that, in addition to NBG, Dr. Pharaon had invested in other banking properties over the years.
37. Yes, I did learn that Dr. Pharaon was in financial difficulty. As I explained in my response to Question 36 above, I do not specifically recall the initial source(s) of this information. I believe that Dr. Pharaon's financial difficulties were discussed with, among others, Messrs. Abedi and Lohdi. I do not specifically recall what I was told. I believe Dr. Pharaon's financial difficulties also were reported in news articles.
38. I attended three annual BCCI conferences -- in Athens, Vienna, and in Luxembourg.
39. I do not recall what my specific understanding was at the time I attended a conference at which NBG representatives were in attendance. I was generally aware that BCCI was an investment advisor to Ghaith Pharaon, who owned NBG.
44. It is my understanding that this question refers to the acquisition of NBG by First American, not the tender offer for NBG made by Dr. Pharaon in the late 1970's. I do not believe that the analysis referred to in my quote

testimony was reduced to writing at the time. It was my understanding that BCCI rendered investment advice to Dr. Pharaon in connection with Dr. Pharaon's ownership of NBG. I also understood that a former BCCI officer previously had been a senior officer of NBG. Please also see my response to Question 35 above.

45. It is my understanding that Mr. Jones was hired by NBG and/or one or more of its holding companies.
46. It is my understanding that Mr. Jones was paid by NBG and/or one or more of its holding companies.
47. The amounts paid to Mr. Jones by NBG and/or its holding companies in connection with NBG's effort to amend the Georgia banking laws were reviewed as part of the due diligence audits conducted by First American prior to acquiring NBG. This information was set forth in one or more reports compiled in the spring and/or summer of 1987 under the direction of Robert G. Stevens, Chief Executive Officer of First American Bankshares, and Mr. Robert J. King, Senior Vice President and Director of Audits of First American Bankshares.
48. I am not familiar with Mr. Carlson's comment referenced in this question, nor am I aware of the basis for his

remarks. While I am generally aware that sums were expended by NBG and/or its holding companies in connection with their efforts to secure a change in the Georgia banking laws, I am not aware of the precise nature and details of or justifications for those expenditures. I therefore do not feel I am in a position to give an opinion on this matter.

49. It is my understanding that the cash expenditure in acquiring the National Bank of Georgia was less than \$25 million. It is possible that the transcript of this deposition contains a typographical error, as the cash cost of acquiring the National Bank of Georgia was approximately \$225 million. I note that in this same deposition I testified that "we knew that we would need something over \$200 million to complete the transaction with the National Bank of Georgia." It is also possible that the figure of \$255 million might be related to a "write-up" of assets following the acquisition. It is my understanding that this "write-up" is not the same as the cash actually expended in the purchase.
50. I understand that this question refers to the acquisition of NBG by First American in 1987, not the tender offer for NBG made by Dr. Pharaon in the late 1970's. I note

that NBG was owned by FGB (First American's corporate predecessor) prior to the mid 1970's. I do not recall "numerous meetings" with Mr. Abedi "leading up" to the NBG acquisition by First American in 1987. First American -- not BCCI or Mr. Abedi -- selected NBG for acquisition. Accordingly, the premise of the question is incorrect.

51. First American was represented by Milbank, Tweed, Hadley & McCloy in connection with the acquisition of NBG. Clifford & Warnke, serving as general counsel to First American, also represented First American. Wachtell, Lipton, Rosen & Katz also rendered legal advice to First American in connection with this transaction. To the best of my recollection, the National Bank of Georgia, its holding companies, and Dr. Pharaon were represented by Sutherland, Asbill & Brennan; White & Case; and Mr. John V. Whitbeck of Paris, France.
52. In his testimony before the House Banking Committee, Mr. Clifford stated that we were advised by counsel to obtain financing in connection with our proposed investment in CCAH stock, not that we were advised specifically to approach BAI for a personal loan. (See pages 89-90 of the transcript of the September 11, 1991 House Banking

Committee hearing). We first approached BAII because it was familiar with CCAH (having previously syndicated a \$50 million loan to First American Corporation in 1982 in connection with the acquisition of FGB), and with the investor group that owned CCAH. We expected, therefore, that BAII would understand the value of the CCAH stock that was to be used as collateral for our loans. We were unaware of any similarly situated domestic banks.

53. I have been aware that Yves LeMarche served as a Director of both BCCI and BAII. I do not recall when I learned this information.
54. To the best of my recollection, I have not heard of this entity.
55. The earliest meeting with Mr. Awan that I can recall was in Washington, D.C. in connection with proceedings being conducted by the Subcommittee in 1988. While I do not have any recollection, it is possible that I met Mr. Awan earlier, as, for example, when he was first transferred to Washington to work in BCCI's Representative Office.
56. I do not recall.
57. I do not recall how many people I met from the BCCI Washington Representative Office staff. I recall having

met Sani Ahmad, Brian Jensen and Kathy Pyle. I also met other individuals, including two whom I believe were named S.M. Khan and M.M. Ahmed. To the best of my recollection, I did not have regular contact with any of the members of the BCCI Washington Office staff.

58. I do not recall.

59. The July 1988 Senate subpoena issued to "Mr. Awan" was directed to Mr. Khalid Awan, not Mr. Amjad Awan. The Subcommittee was informed that the subpoena had been misdirected, and in September 1988 a subpoena was issued to Mr. Amjad Awan. The search for relevant documents in response to the July 1988 Senate subpoena addressed to BCCI was conducted by BCCI personnel. It is my understanding that Mr. Awan participated in the search for documents. It is also my understanding that other counsel to BCCI has supplied to the Subcommittee a list of the personnel believed to have been involved in that search.

Meetings were held in connection with the document production with BCCI employees in Miami in August 1988, and there were meetings between counsel and the Subcommittee staff. While I do not specifically recall, there may have been follow-up meetings with BCCI

employees on the matter in Washington, D.C. Among other things, each specification of the subpoena was carefully reviewed with BCCI personnel so that there was a full understanding of the documents subject to production. The responsive documents were to be collected by BCCI personnel and forwarded to Clifford & Warnke. Mr. Awan was involved in these discussions, along with other BCCI personnel. To the best of my recollection, we were informed that there were Noriega related BCCI accounts overseas. To the best of my recollection, Mr. Awan informed me, however, that there were no Noriega account records in the United States. Mr. Awan also expressed concerns about his personal safety, due to his relationship with General Noriega. I understand that Mr. Awan produced a few Noriega expense vouchers at his Senate deposition in September 1988.

60. I did not personally search for documents in response to the Senate subpoena addressed to BCCI. I did review the documents collected by BCCI personnel which were produced to the Subcommittee in September 1988 in response to the referenced Senate subpoena.
61. To the best of my recollection, I did not substantively review documents in London relating to Noriega assets at

BCCI. I recall attending a meeting in I believe the fall of 1988 between various outside counsel and BCCI officials in a BCCI conference room in London. I further recall that there was a stack of documents in the conference room at that time, which I believe were account records relating to General Noriega. To the best of my recollection, I did not substantively review those documents. I do not recall if I looked at the stack to ascertain the types of documents there. I recall seeing a letter signed by Noriega establishing an overseas account of the Panamanian Defense Forces, but do not recall when I saw that document.

62. To the best of my recollection, I was aware of that relationship.
63. In the spring of 1990, First American undertook an extensive audit of its business dealings with BCCI. As part of this audit, documents relating to Noriega were identified. First American was not subpoenaed by the Senate, and was not instructed to search BCCI account records for transactions or cancelled checks relating to General Noriega in response to any Senate subpoena. As noted in my response to Question 59 above, in August 1988 the Senate subpoena addressed to BCCI was carefully

reviewed with BCCI personnel so that there was a full understanding of the documents subject to production by BCCI. It was my understanding that BCCI personnel searched for responsive documents. In response to a subsequent informal request by the Subcommittee, it is my understanding that BCCI specifically reviewed its account records with First American in Washington, D.C. In that regard, in 1990 BCCI requested that First American Bank, N.A. supply it with copies of BCCI's account records, in order to ensure that the complete universe of those records was available for review. First American complied with that request.

64. Please see my testimony before the Subcommittee on October 24, 1991. (See pages 232-235 of the transcript of October 24, 1991 hearing.)
65. To the best of my recollection, I did not discuss with BCCI employees the removal of documents from the United States to any overseas location to prevent the production of subpoenaed documents. Although I do not specifically recall, I may have discussed this allegation with BCCI employees after it was made public.
66. Regarding Mr. Palkhiwala's referenced memorandum, I have not been able to locate a copy for my review, and

therefore cannot comment on its contents specifically. I do not recall discussing the contents of any such memorandum with Mr. Palkhiwala prior to its issuance. I do not know the factors on which Mr. Palkhiwala based his memorandum and, from the portions the Subcommittee has summarized in its question, do not recognize it as reflecting my own views.

I did not personally deal with government officials concerning BCCI's cooperation under the plea agreement. I understood from BCCI counsel engaged in such dealings, however, that an effort was made to cooperate with the government, and that this encompassed the production of documents and information sought by various government officials.

67. See my response to Question 110 (renumbered Question 14 from the December 11, 1991 letter from Jonathan Winer to Robert S. Bennett). To the best of my recollection, an investigative firm was hired to assist the defense team in connection with the BCCI Tampa case. I do not recall how that decision was made.
68. To the best of my recollection, during the May 8, 1990 meeting reference was made to the testimony of Robert

Mazur, a witness for the prosecution in the Tampa case who had worked undercover in that case. Mr. Mazur testified at trial that one of the defendants had explained to him that the proposed transactions violated bank policies, were not known to their superiors at BCCI, and would not be supported by BCCI senior management if revealed.

70. I did not visit Pakistan between 1978 and 1990.
71. To the best of my recollection, neither I nor Clifford & Warnke have represented any entity in litigation involving Attock Oil.
72. I note that in a footnote in the referenced May 9, 1978 letter the word "relationships" is defined to include only "Financial General and the purchase of shares thereof." To the best of my recollection, subsequent to the acquisition of FGB by CCAH, I learned from representatives of Attock Oil that Sheikh Adham and Mr. Fulaij had an ownership interest in Attock Oil. I do not recall when they acquired that interest.
74. I understand that ICIC is a Grand Cayman corporation with various subsidiaries. I do not presently have information concerning ICIC's purpose, owners, or assets.

I previously understood that ICIC was a financial institution that consisted in part of a charitable trust and a staff benefit fund for BCCI employees. I also understood that ICIC was a shareholder of BCCI.

75. Yes.
76. I understand that certificates of deposit ("CDs") were purchased from ICIC by CCAH in December 1986, and by First American Bankshares in January 1987 and May 1987.
77. The amounts of the CDs referenced in response to question 76 were approximately \$29 million, \$45 million, and \$14 million, respectively.
78. I do not recall. Documents relating to this transaction suggest that Mr. Aijaz Afridi, Senior Vice President, International, at First American Bank of New York may have recommended the use of ICIC. I do not recall discussing the placements with anyone at BCCI or ICIC.
79. I do not recall. I note that the CDs were all repaid in full, including both principal and interest, in accordance with their terms.
80. I do not recall.

81. To the best of my recollection, I first became aware that Mr. Bilbeisi was a customer of BCCI in early 1990.
82. To the best of my recollection, I first became aware of this allegation in early 1990.
83. To the best of my recollection, I never spoke with Mohammed Hammoud by telephone.
84. Yes.
85. To the best of my recollection, Mr. Hammoud was mentioned during conversations with Senator Orrin Hatch, but I do not recall the date(s) or location(s) of these discussion(s).
86. I understand that Senator Hatch has spoken with Mr. Hammoud concerning Middle East issues, but I do not have personal knowledge of any meetings between Senator Hatch and Mr. Hammoud.
87. In the original application filed in 1979 with the New York Banking Department on behalf of CCAH and CCAI, Mr. Hammoud was identified as a potential shareholder of less than 5% of CCAH in the event the acquisition of FGB proceeded to completion. Mr. Hammoud ultimately did not

become a CCAH shareholder as part of the acquisition of FGB in 1982.

88. The referenced February 16, 1990 memorandum does not state that I held meetings with congressional staffs and Senators. Instead, it states that Clifford & Warnke offered "[c]ontinuing advice and consultation in connection with . . . meetings with Congressional staffs and Senators[.]" To the best of my recollection, I attended one or more meetings with Senator Orrin Hatch, at which time BCCI's U.S. legal problems were discussed.
90. The referenced February 16, 1990 billing statement to BCCI states that Clifford & Warnke provided general direction, supervision and advice regarding a number of matters, including account reviews in Monte Carlo. It does not state that Clifford & Warnke attorneys reviewed the Monte Carlo accounts. I was not personally involved in reviewing accounts in Monte Carlo, and do not presently know which accounts are referenced in the memorandum.
91. I did not serve as President of any First American bank, but was President of First American Corporation. I do not have access to this information. The aggregate amount of such loans would be disclosed in the audited

financial statements of First American, which are publicly available.

92. To the best of my recollection, I first discussed my CCAH stock investment with Senator Mathias in 1991. The Directors of CCAH were advised of and expressly approved Mr. Clifford's and my CCAH stock purchases in 1986. Senator Mathias was not a Director of CCAH, and had not yet joined the Board of First American Bankshares. The stock purchases and sales were reflected in First American's annual filings with the Federal Reserve and various state regulators. The Federal Reserve filings are available to the public.
93. Sheikh Kamal Adham sought legal advice in connection with a potential investment in a feature film project.
94. I do not recall every potential investment studied. I recall that specific consideration was given to the acquisitions of Revlon and E.F. Hutton.
95. Altman Productions, Inc. is a privately held family company that was established to engage in the business of television production in which members of the family were involved, including, for example, production of the television program "It's Academic."

96. The memorandum was drafted by Mr. J. Griffin Lesher shortly after the meeting took place. I do not know what contemporaneous notes were taken at the meeting. To the best of my recollection, one of the Federal Reserve officials took notes at the meeting.

\* \* \*

With respect to the questions posed to me in the December 11, 1991 letter from Jonathan Winer, counsel to Senator Kerry, to Robert S. Bennett, Esq., the answers are as follows:

97. (renumbered Question 1.) To the best of my recollection, I never met Mr. Mohammed Irvani. I understand he was identified as Chairman of the Board and Managing Director of CCAH and CCAI in the applications filed before the Federal Reserve in 1978 and the New York State Banking Department in 1979. He was also identified as a proposed investor in CCAH in the referenced applications. Ultimately, however, he did not participate in the acquisition. To the best of my recollection, I did not hold a power of attorney for Mr. Irvani.
98. (renumbered Question 2.) To the best of my recollection, I have never met Mr. Bahman M. Irvani.

99. (renumbered Question 3.) It is my understanding that the New York agency of BCCI used First American Bank of New York for certain banking services, including the cash windows. I do not recall who informed me of this particular matter. I am not familiar with the specifics of any such arrangements. To the best of my recollection, I became aware of this matter in 1989 when attorneys and accountants for BCCI recommended that BCCI adopt various compliance measures and controls. These dealings were also analyzed in connection with the First American internal audit conducted in 1990. I do not know who at First American would have had specific authority to approve this practice, but understand that operating authority at First American Bank of New York ultimately rested with William Duncan, the CEO.
100. (renumbered Question 4.) To the best of my recollection, I spoke briefly by telephone with Mr. Lance following Mr. Clifford's and my appearance before the House Banking Committee in September 1991. Mr. Lance commented generally on the House Banking Committee hearing and newspaper reports of the investigation. He also indicated that he had been interviewed by a number of government officials in connection with the BCCI investigation.

recollection, I have not met with Mr. Lance for more than a year. Although I do not specifically recall, I may have spoken with Mr. Lance by telephone during this period.

Clark M. Clifford  
Clark M. Clifford

Subscribed and sworn to before me  
this 7th day of February, 1992.

Peter L. Dvorsky  
Notary Public Expire 8/31/94

CONFIDENTIAL

ICIC (Holdings) Ltd.,  
George Town,  
Grand Cayman,  
Cayman Islands.

November 1, 1978

Dear Sirs,

I have to request you to arrange on my behalf for the incorporation of a Company in Cayman Islands with an authorised capital of US\$900,000.00 and Issued and Paid-up capital of US\$100,000.00. This Company, to be incorporated with the name and style of "Linden Investment Company Limited" is to have as its principal objects investments in immovable properties in the U.S.A. and other places, either directly or through any of its subsidiaries to be incorporated in such countries where maximum tax benefits would be available for such property investments, and with such other objects as are usual and necessary for such investment companies, including borrowing powers.

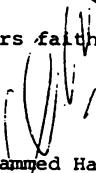
You may appoint your own nominee directors for the said Linden Investment Co. Ltd. and transfer to their names such shares as may be necessary according to the legal requirements. The remaining shares may be held by you in your own name or in the name of any other Company as your nominees.

I hereby authorise you to appoint any agents for the aforesaid purpose and to do, execute and perform or cause to be done, executed and performed all acts, deeds and things that may be required or necessary in a fiduciary capacity for the aforesaid purposes and to give any other authority or writing that you may require or deem necessary for this purpose.

I also undertake to reimburse to you the paid up capital of the said Linden Investment Co. Ltd, together with all legal and other expenses incurred by you with interest thereon at ..!% over the LIBO rate for 6 months US Dollar funds.

I also hereby agree and undertake to hold you indemnified and harmless against any claims, demands, damages, suits and proceedings and the costs, charges and expenses in respect thereof by reason of your acting according to my instructions as aforesaid.

Yours faithfully,

  
Mohammed Hammoud

23rd March, 1982

H.W. Green Esq.,  
 Vice President,  
 Financial Analysis Unit  
 Supervision, Regulation and  
 Credit Department,  
 Federal Reserve Bank  
 of San Francisco,  
 400 Sansome Street,  
 San Francisco, California 49120

RE: QUARTERLY REPORT REQUIRED UNDER S 211-23 (H)  
OF REGULATION K FOR THE QUARTER ENDED 31 DECEMBER 1981

As required under S 211-23 (H) of the Regulation 'K' it is advised to you that International Credit and Investment Company (Overseas) Ltd. has following share holdings in companies engaged directly in activities in United States of America.

NAME OF COMPANY	HOLDINGS	ACTIVITIES	STANDARD INDUSTRIAL CLASSIFICATION	ASSETS REVENUES	
				(For the fiscal year ended March 31, 1981)	
(1) Bank of Credit and Commerce International Holdings (Luxembourg) SA	37.4 %	Banking activity through a Bank Agency in San Francisco of its subsidiary, Hong Kong Metropolitan Bank, Hong Kong			
(2) Linden Investment Co Ltd., (incorporated in Grand Cayman	100 %	Investments through it's 100% owned subsidiaries incorporated in Curacao, Netherland Antilles			
(a) Northward Corporation N.V. presently Eastward Corporation N.V. (incorporated in Curacao, Netherland Antilles)		Real Estate land in New York City	6799	US\$2,633,939	-
(b) Copperwood N.V. (incorporated in Curacao, Netherland Antilles)		Commercial Building in Boston, Massachussets	6512	US\$1,647,530	US\$133,764
(c) Marmaris Investments N.V. (incorporated in Curacao, Netherland Antilles)		owns 100% of Carlson Farm Ltd., a U.S. Corporation, incorporated in the State of Connecticut which owns a Real Estate property in Connecticut	6799	US\$ 915,581	-



**Pacific Southwest Capital**  
INVESTMENT. MANAGEMENT. RESEARCH  
5550 BLACK MOUNTAIN ROAD  
SAN DIEGO, CALIFORNIA  
PHONE: (619) 578-6412

December 22, 1982

~~I.M. does not have interest  
in selling the NYC land at this time.  
There would probably have a price or terms.~~

**CHARLES W. HOSTLER, PH.D.**

**HAPPY HOLIDAYS TO YOU & LUNETTE**  
**PRESIDENT**  
Pacific Southwest Capital Corp.  
5550 Black Mountain Road, #H  
San Diego, California 92126  
or  
P.O. Box 978, San Diego, CA 92109  
(619) 578-6421 (office)  
(619) 270-9050 (home)

Mr. Curtis Hagen  
Curtis Hagen Real Estate  
87 Smith Avenue  
White Plains, NY 10605

Dear Curt:

**OPEN LISTINGS OFFERED ON**  
**CARLSON FARMS, LTD. IN SHERMAN, CONNECTICUT**

This lovely estate subdivision is for sale, all or in part. The subdivision design provides for 81 single dwelling unit lots of 80,000 square feet or larger within the 289 acre property. Total land to be utilized in lots is 211 acres. Of the balance of the property, 44.05 acres (15%) is to be deeded to the Town for open space; 20.3 acres will remain open space for community recreational use; and approximately 14.7 acres will be utilized in road and utility right of way to be deeded to the Town upon completion of acceptable construction.

The site has outstanding aesthetic appeal due to its varied topography, diversity of vegetation, and its location on the beautiful Housatonic River (with approximately 1-1/2 miles of river frontage).

**Price and Terms:** The owner is asking \$1,750,000 (or about \$6,055 per acre) "as-is", or \$3,000,000 if he posts the \$1.1M road bond or "finishes" the roads (thus, about \$37,000 per bonded lot).

**As to terms:** (1) Any buyer would assume or clear the road bond, (2) Assume the existing mortgage of about \$175,000, (3) Pay 50% of the balance in cash, (4) The seller would take a second mortgage for the rest at 12% interest, all due in five years

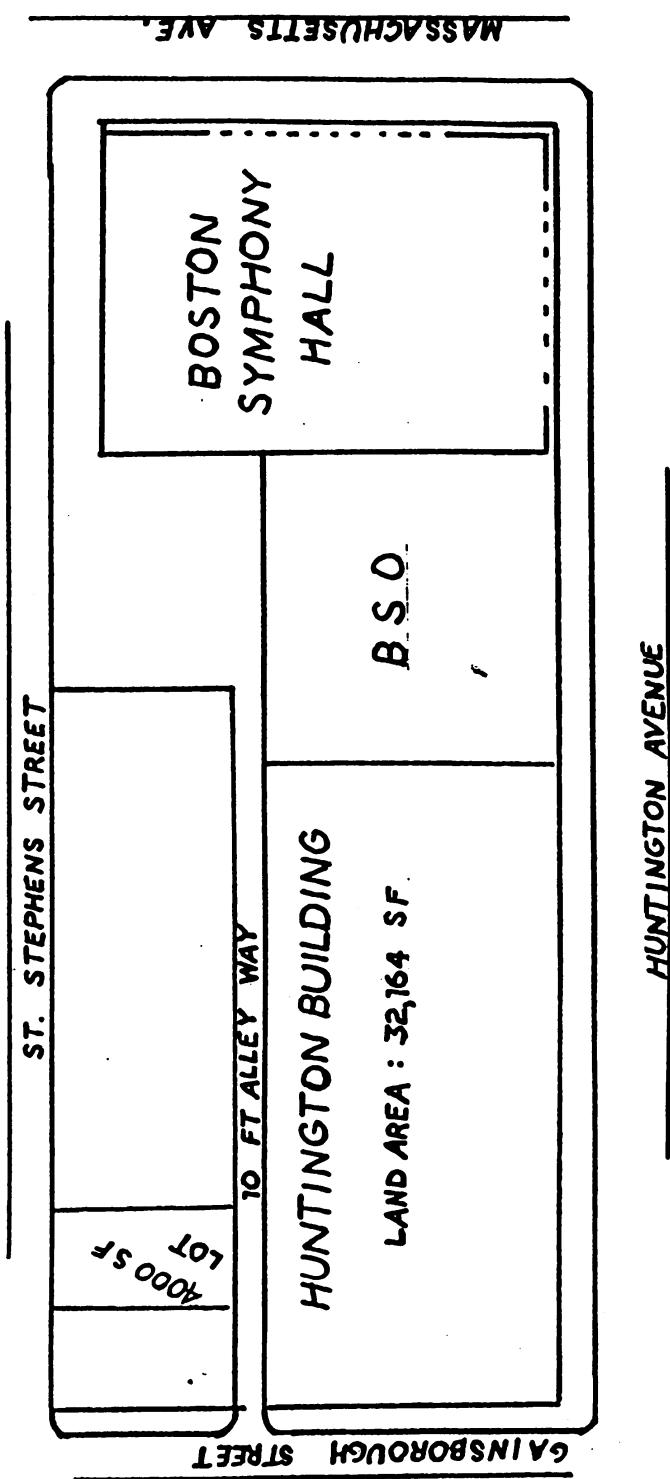
If you are interested in an open listing on this property, please send the appropriate forms to the undersigned. The owner is willing to pay a 6% commission to selling brokers who have a signed listing.

I will look forward to hearing from you. You have already received a copy of the sub-division map. Please contact me if I can furnish additional information. As brokers you understand that the above property information has been secured from sources believed to be reliable, but no responsibility is assumed for its correctness.

Sincerely,

*Charles*

Charles W. Hostler, President



744

ENTER NUMBER AND PRESS RETURN  
6161

WU INFOMASTER

( HAGEN USA WHP

025786A201 1758EST  
ZCZC 01 WHITE PLAINS, NEW YORK ,7.20.82  
10605  
MR. CHARLES HOSTLER  
HOSTLER INVESTMENT CO  
P.O. BOX 9976  
SAN DIEGO, CA 92109  
BT

CONFIRMED RESERVATION GUARANTEED AT THE PIERRE  
FOR THE NIGHT OF THE 26TH JULY.

UPON YOUR ARRIVAL ARRANGEMENTS MUST BE MADE  
FOR 6 PM CHECK-OUT ON THE 27TH.  
REGARDS

ANNETTE HAGEN  
CURTIS HAGEN REAL ESTATE  
TLX 646730 HAGEN USA WHP  
NNNN  
(CURTIS HAGEN REAL ESTATE  
87 SMITH AVENUE  
WHITE PLAINS, NY 10605).

( ACCEPTED  
00001

1-PC

745

LINNE #?  
0001

ENTER NUMBER AND PRESS RETURN  
103

ITT GA 8518953359+  
HAGEN USA WHP

08 06 0858  
8953359SUNKAS G  
GA  
6 AUGUST, 1982  
INVESTRADE - EUROPE, S.A.

ATTENTION : CHARLES HOSTLER

THIS WILL CONFIRM MEETING AT JFK FLT PA 67  
1320 HRS AUGUST 9, 1982.

REGARDS

CURT  
TLX 646730  
HAGEN USA WHP  
.....  
v859EDT 000.80

*Confirmation  
of info.*

746

ENTER CATEGORY NAME  
D  
ENTER COMMAND (H FOR HELP!)

ENTER COMMAND (H FOR HELP!)

VIA WUI  
HAGEN USA WHP

8953359SUNKAS G  
6 AUGUST 1982  
TLX NO 2831

CURT: REASON I WAS ABRUPT WHEN U PHONED IS THAT  
MOHAMMAD IS VERY UPSET. ADDITIONALLY HE  
IS HAVING BUYERS REMORSE CONCERNING SECOND  
AVE PURCHASE. THE MORE HE REVIEWS VIDEO  
TAPES, YOUR REPORT, YOUR BOSTON APPRAISAL,  
ETC THE ANGRIER HE GETS. SECOND AVE PURCHASE  
IS IN JEOPARDY. CAN U MEET ME JFK PA 67  
NINTH AT 1320 HRS TO TRY SAVE DEAL?  
SUGGEST DISCRETION

PLS ADVISE  
REGARDS  
CHARLIE

HAGEN USA WHP

8953359SUNKAS G  
CALL JAPAN VIA WUI-301

ENTER COMMAND (H FOR HELP!)

*Rec'd from Charles  
London*

X  
LINE #?  
0066

ENTER NUMBER AND PRESS RETURN  
6161

WU INFOMASTER

HAGEN USA WHP

019194A231 1405EST  
ZCZC 01 WHITE PLAINS, NEW YORK 8.19.82  
10605  
DR. CHARLES HOSTLER  
HOSTLER INVESTMENT CO.  
P.O. BOX 9976  
SAN DIEGO, CA 92109  
BT

DUE TO UNFORSEEN PERSONAL PROBLEMS, I WILL REGRETTABLY NOT BE ABLE TO MEET YOU THE WEEK OF AUGUST 23 TO VISIT SHERMAN AND BOSTON.

I WOULD GREATLY APPRECIATE YOUR RE-SCHEDULING OUR MEETING SOMETIME AFTER SEPTEMBER 8, 1982 AT YOUR CONVENIENCE.

BEST REGARDS

CURT  
CURTIS HAGEN REAL ESTATE  
TLX 646730 HAGEN USA WHP  
NNNN  
(CURTIS HAGEN REAL ESTATE  
87 SMITH AVENUE  
WHITE PLAINS, NY 10605).

ACCEPTED  
00001

1-PC



SELECTMEN'S OFFICE  
MALLORY TOWN HALL  
TOWN OF SHERMAN  
SHERMAN, CONNECTICUT 06784

May 10, 1983

Re: Carlson Farm Subdivision

Mr. Henry W. Pasquarella  
P.O.Box 1038  
Greenwich, Conn. 06830

Dear Henry:

I have reviewed the original letter of Credit issued by the Bank of Credit and Commerce International in the amount of \$1,200,000.00, and I find this to be satisfactory for the bonding requirements of the Carlson Farm subdivision.

I assure you I will contact Tony Crawford and see that the subdivision map receives his signature so that this will be a valid subdivision.

Thank you very much for your cooperation.

cc: Tony Crawford  
Charles W. Hostler

KPG/fm

Sincerely yours,

Kenneth F. Grant  
First Selectman

CARLSON FARMS, LTD.  
C/O DR. CHARLES W. HOSTLER  
P. O. Box 9976  
San Diego, California 92109  
(619) 578-6421 or (619) 270-9050

November 17, 1982

First Selectman Grant  
c/o Town Hall  
Sherman, Connecticut

Dear Selectman Grant:

Carlson Farms, Ltd. requests that the road bond required to issue the Carlson Farm Subdivision map contain the provision that:

"Unless or until there is a closing on the sale of a lot within the Carlson Farm subdivision area, the road bond is not effective and can be cancelled at any time (and, upon cancellation, the sub-division rights would be forfeited)".

You are requested to change your records to show me (at the above address) to be the authorized agent for Carlson Farms, Ltd. vice Curtis Hagen.

Thank you for your assistance.

Sincerely,

*Charles W. Hostler*

Charles W. Hostler, PhD

CWE:hf

## HENRY W. PASCARELLA

*Attorney at Law*

TWO GLEN COURT, GREENWICH, CONNECTICUT 06830

(203) 869-2000

Counsel to  
TYLER COOPER & ALCORN

LAW OFFICES • NEW HAVEN • MONTPELIER • STAMFORD, CONN.

December 14, 1988

Mr. Kenneth Grant  
 First Selectman  
 Sherman Town Hall  
 Sherman, CT 06784

Dear Ken:

When I spoke with Mohammad last week, he told me you asked whether or not we concluded the transaction with John Chiodo and Virginia Drought, giving Carlson Farm direct access over their property to Route 55. We have paid Chiodo/Drought for the Permanent Easement and Right of Way which will give us the access we need. Enclosed for your records is a photocopy of the original executed Permanent Easement and Right of Way Agreement. You will see that it was recorded on October 25, 1988, at 2:30 p.m. on the New Milford Land Records in Volume 398 at Page 851.

Mohammad also told me he discussed with you the release of the present road letter of credit and its substitution with a new one. Apparently, you and he agreed that the new letter of credit will be in the amount of \$150,000.

I understand from Ken Rogers and Tim Beatty that you had some concern about the viability of BCCI, the bank which issued the original letter of credit. With the thought that it will give you sufficient comfort, I am enclosing a photostatic copy of a letter dated November 26, 1988 from BCCI asking me to confirm to its auditors, Price Waterhouse, the fact that a \$1,200,000 letter of credit is outstanding for the account of Carlson Farm. I would hope the knowledge that this bank is being audited by Price Waterhouse and that it clearly carries the outstanding letter of credit as an obligation of Carlson Farm Limited gives you ease.

I would be obliged if you would kindly call me to discuss the logistics of substituting a new letter of credit from BCCI for the present outstanding letter of credit.

Cordially yours,

Henry W. Pascarella

HWP/lbp  
 Enclosures  
 cc: Mr. Mohammad Hammoud

**BANK OF CREDIT AND COMMERCE INTERNATIONAL**

SUBJ:TE:ANONYME  
NEW YORK PRESENTATIVE OFFICE 375 PARK AVENUE NEW YORK NY 10152

Mr. Henry W. Pascarella  
52 Mason Street  
P.O. Box 1038  
Greenwich, CN 06830

KS/li

September 10, 198

Dear Mr. Pascarella,

Re: Carlson Farms

I appreciate your assisting Dr. Charles W. Hostler on his recent visit to the Carlson Farms Property. Dr. Charles W. Hostler is the authorized representative of the owner of Carlson Farms property who may be contacting you in future for your assistance.

Kindly extend all your courtesies. Thank you for your cooperation.  
Regards.

Yours faithfully,



KHALAD SHARIF

c.c. Dr. Charles W. Hostler  
Hostler Investment Co.  
P.O Box 9976  
San Diego, California 92109



WILLIAM A O'NEILL  
GOVERNOR

STATE OF CONNECTICUT  
EXECUTIVE CHAMBERS  
HARTFORD

March 15, 1985

Charles W. Hostler, President  
Pacific Southwest Capital Corporation  
9580 Black Mountain Road, Suite H  
San Diego, California 92126

Dear Mr. Hostler:

Thank you for your recent correspondence concerning the theft of timber from Carlson Farms in Sherman, Connecticut.

Having contacted the Department of Public Safety, a member of my staff has been assured that a member of their department will be in direct contact with you in the near future. I am certain that if the State Police can assist you they will do all they can to rectify this situation.

Sincerely,

A handwritten signature in black ink, appearing to read "B. O'Neill".

WILLIAM A. O'NEILL  
Governor

**HOSTLER INVESTMENT COMPANY**

POST OFFICE BOX 9976 · SAN DIEGO, CALIFORNIA 92109

Phone (619) 578-6421

October 29, 1986

Mr. G. Michael Humphreys  
P. O. Box 12  
Gaylorsville, CT 06755

Dear Mr. Humphreys:

Thank you for your letter of October 12, 1986 concerning the Carlson Farm property in North Sherman, CT. On behalf of the owner I appreciate your calling attention to the fact that the vacant farm "has been invaded by noisy groups of motorcyclists" and "has started to be used as a dump for trash".

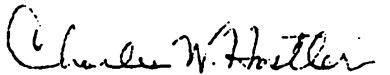
This is most deplorable. I have written to the Governor in the past asking for his assistance (see enclosed letter) and have spoken by telephone to Trooper Pleigo in Sherman, but nothing much has resulted.

We believe a "public nuisance" has occurred and wish that the public authorities would take action. I am sure that the owner would grant any reasonable request to assure policing.

If you can speak to Trooper Pleigo or Selectman Grant, it would be appreciated. Everytime a gate is built it is smashed. I will try to visit the property about Sunday 16 November to see what further can be done.

Thank you for your interest.

Sincerely,



Charles W. Hostler, PhD  
President

CWH:hf

✓ cc: First Selectman Grant  
Town of Sherman, CT.

CARLSON FARM LIMITED  
C/O CHARLES W. HOSTLER  
P. O. BOX 9976  
SAN DIEGO, CA. 92109  
(619) 578-6421

July 12, 1983

First Selectman Kenneth F. Grant  
Mallory Town Hall  
Town of Sherman  
Sherman, CT 06784

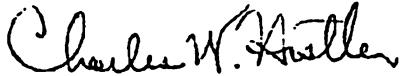
Dear Selectman Grant:

As you know we filed our Letter of Credit for \$1,200,000 in late April 1983 in satisfaction of the bonding requirements of the Carlson Farm subdivision (see your letter of May 10, 1983 attached).

May I inquire as to when we will receive a copy of the approved subdivision map or notice of approval?

Thank you for your assistance. All best wishes to you and to the lovely Town of Sherman.

Sincerely,



Charles W. Hostler, PhD

CWH:hf

cc: Henry Pascarella, Esq.

BANK OF CREDIT AND COMMERCE INTERNATIONAL  
SUBJECT: ANONYMOUS  
NEW YORK REPRESENTATIVE OFFICE 376 PARK AVENUE NEW YORK NY 10162

Mr. Henry W. Pascarella  
52 Mason Street  
P.O. Box 1038  
Greenwich, CT 06830

KS/11  
September 10, 1982

Dear Mr. Pascarella,

Re: Carlson Farms

I appreciate your assisting Dr. Charles W. Hostler on his recent visit to the Carlson Farms Property. Dr. Charles W. Hostler is the authorized representative of the owner of Carlson Farms property who may be contacting you in future for your assistance.

Kindly extend all your courtesies. Thank you for your cooperation.  
Regards.

Yours faithfully,

  
KHALED SHARIF

c.c. Dr. Charles W. Hostler  
Hostler Investment Co.  
P.O Box 9976  
San Diego, California 92109



**BANK OF CREDIT AND COMMERCE INTERNATIONAL**  
**SOCIETE ANONYME**  
**NEW YORK AGENCY 320 PARK AVENUE NEW YORK NY:0022**

May 17, 1984

Lejuf Realty Corp  
 C/O Edward Breger, Esq  
 Breger Gorin & Leuzzi  
 595 Madison Avenue  
 New York, N.Y. 10022.

Gentlemen:

By order of and for the account of Linden Investment Co. Ltd. a Cayman Island Corporation, having an office C/O Campbell Corporate Services, Ltd. Bank Of Nova Scotia Building, P.O.Box 268, Grand Cayman, Cayman Islands, BWI we hereby open in favor of Lejuf Realty Corp. our clean Irrevocable Letter - Of Credit No. 405001 for U.S. Dollars \$500,000.00 (U.S.Dollars Five hundred thousand ) effective immediately and expiring at our counters with our close of business on May 1, 1985.

Funds are available against your sight draft in the amount and up to U.S. Dollars five hundred thousand drawn on us, mentioning our Letter of Credit No. 405001 upon your receipt of any claim made in writing against either Linden Investment Co. Ltd. or Eastward Corp. N.V. and accompanying a sworn affidavit, asserting an open balance or obligation or liability of any sort under ARTICLE VII of the agreement dated May 16, 1984 between Linden Investment- Co. Ltd. and Lejuf Realty Corp. accompanied by a true copy of any such claim received by you.

The sight draft shall require us to pay 150% of the amount of the claim (but not in excess of U.S.Dollars Five hundred thousand) to Bachner, Tally, Polevoy Misher and Brinberg, as Attorneys, pursuant to agreement among you, Linden Investment Co. Ltd. and said Bachner, Tally, Polevoy, Misher & Brinberg.

Unless otherwise stated this credit is subject to the Uniform Customs and Practice for Documentary Credits (1974 Revision) of the International Chamber- Of Commerce Publication No.290.

The original Letter of Credit must be returned to us duly cancelled by yourselves on its expiry.

Claims must be made so as to reach us before close of business on May 1st, 1985 after which date this Letter of Credit will be considered null and void and our liability will cease to exist.

Very truly yours,

Authorized Signature

Authorized Signature

PHONE (212) 715 2800  
Incorporated in Luxembourg

TELEX 425808 BCCI NY MT  
A Subsidiary of BCCI Holdings (Luxembourg) S.A.

NY 0020788  
 CONFIDENTIAL

R.J. (R. J. Breger) 5/17/84

## LETTER OF CREDIT

May 17, 1984

Lejuf Realty Corp.  
c/o Edward Breger, Esq.  
Breger Gorin & Leuzzi  
595 Madison Avenue  
New York, New York 10022

Gentlemen:

By order of and for the account of Linden Investment Co., Ltd., a Cayman Island corporation, having an office c/o Campbell Corporate Services, Ltd., Bank of Nova Scotia Building, P.O. Box 268, Grand Cayman, Cayman Islands, BWI, we hereby open in favor of Lejuf Realty Corp. our Clean Irrevocable Letter of Credit No. for U.S. Dollars \$500,000 (U.S. Dollars Five Hundred Thousand) effective immediately and expiring at (address) with our close of business May 1, 1985.

Funds are available against your sight draft in the amount and up to U.S. Dollars 500,000.00 drawn on us, mentioning our Letter of Credit No. , upon your receipt of any claim made in writing against either Linden Investment Co. Ltd. or Eastward Corp., N.V. and accompanying a sworn affidavit, asserting an open balance or obligation or liability of any sort under ARTICLE VII of the agreement dated May 16, 1984 between Linden Investment Co., Ltd. and Lejeuf Realty Corp., accompanied by a true copy of any such claim received by you.

The sight draft shall require us to pay 150% of the amount of the claim (but not in excess of U.S. Dollars 500,000.00) to Bachner, Tally, Polevoy, Misher and Brinberg, as Attorneys, pursuant to agreement among you, Linden Investment Co., Ltd. and said Bachner Tally, Polevoy, Misher & Brinberg.

Unless otherwise stated this credit is subject to the Uniform Customs and Practice for Documentary Credits (1974 Revision) of the International Chamber of Commerce Publication No. 290.

Very truly yours,

Authorized Signature .

NY 0  
CONFIDENTIAL



## MESSAGE

FACSIMILE TRANSMISSION

DATE 8TH FEB 1988

INPUT SERIAL COST CENTRE 210

OUTGOING SERIAL

CHKD

[Redacted]

[Redacted]

REFERENCE YOUR MEMORANDUM DATED 3 FEBRUARY 1988 OUR UNDERSTANDING OF THE COMMISSION AND INTEREST RATE IS AS FOLLOWS:-

- |   |                 |
|---|-----------------|
| I) COMMISSION ON STANDBY LETTER OF CREDIT | 1% FLAT         |
| II) COMMITMENT FEE ON LOAN                | 1% FRONT END    |
| III) INTEREST ON LOAN                     | 2.5% OVER PRIME |

WITH REFERENCE TO THE GUARANTEE, IT IS OUR UNDERSTANDING THAT AT PRESENT BORROWING IS IN MR HAMMOUD'S NAME AND A PERSONAL GUARANTEE WOULD THEREFORE NOT BE NECESSARY. HOWEVER ONCE THE BORROWING IS TAKEN OVER BY A CORPORATE BODY HIS PERSONAL GUARANTEE WILL THEN BE TAKEN TO COVER BORROWING OF THE SAID COMPANY.

REGARDS

IMTIAZ AHMED  
CENTRAL CREDIT DIVISION

Revised date:  
3

Not to be transmitted

Signature

CCD

Dept/Div

CH2

Floor

12.18.87

T E L E X

TO : MR. IMTIAZ AHMED  
CENTRAL CREDIT DIVISION.  
BCC, LONDON.

RE : M.M. HAMMOUD

WE HAVE BEEN CONTACTED BY MR. HAMMOUD REGARDING THE LOAN FACILITY APPROVED BY CCC PER YOUR TELEX OF DEC. 4, 1987. THE LATEST SITUATION AS EXPLAINED TO US BY MR. HAMMOUD IS AS FOLLOWS:

AS PER THE SALES CONTRACT, THE CHURCH IS REQUIRED TO VACATE THE PREMISES BEFORE SEPT.88. THEREFORE, TO ENSURE THIS, MR. HAMMOUD IS CURRENTLY OFFERING 2 ALTERNATE OPTIONS TO THE SELLER:

I. MR. HAMMOUD PROVIDES THE SELLER WITH A STANDBY LC FOR THE BALANCE OF PURCHASE PRICE I.E. \$4.5 MM ENCASHABLE ONLY UPON THEIR VACATING THE PREMISES AS AGREED AND PROVIDING A CLEAN TITLE. IN THE EVENT THIS OFFER IS ACCEPTED BY THE SELLER, MR. HAMMOUD REQUESTS THE FOLLOWING FROM BCC:

1. STANDBY LC	\$4.50 MM
2. LOAN FOR BUYING OUT PARTNERS IN THE DEAL	\$0.75 MM

COLLATERAL :

1. IN CASE OF ENCASHMENT OF SBLC, WE SHALL SIMULTANEOUSLY RECORD OUR LIEN OVER THE PROPERTY AS 1ST MORTGAGE.

2. TO SECURE THE LOAN OF \$0.75 MM PENDING RECORDING OF MORTGAGE, MR. HAMMOUD OFFERS HIS PERSONAL GTY AND ASSIGNMENT OF THE SALES CONTRACT TO BCC. WE HAVE BEEN INFORMED THAT HE HAS ALREADY PAID \$1.00 MM AS DOWN PAYMENT TOWARDS THE PURCHASE PRICE TOTALLING \$5.5 MM. HOWEVER, UNDER THE SCENARIO ALTHOUGH OUR STANDBY L/C EXPOSURE IS ADEQUATELY SECURED, THE LOAN LIABILITY, IN CASE THE TRANSACTION DOES NOT COME TO FRUITION, IS ONLY SECURED BY OUR RE COURSE TO MR. HAMMOUD AND OUR RIGHT TO RECEIVE REFUND OF DOWN PAYMENT FROM SELLERS ENFORCING OF WHICH MAY REQUIRE LENGTHLY LEGAL PROCESS.

QB

001324

*STANDBY  
LETTER OF CREDIT  
DEPTT.*



BANK OF CREDIT AND COMMERCE INTERNATIONAL  
OVERSEAS LIMITED  
1700 BRICKELL AVENUE MIAMI, FLORIDA 33131-3200 U.S.A.

February 1, 1988

Mr. H.M. Kazmi  
I.C.I.C.  
c/o Bank of Credit and Commerce International  
100 Londonwall Street  
London EC3A 3AD  
United Kingdom

RE: Our Standby Letter of Credit #IMP/227/83 dated 4/18/83  
Favouring Town of Sherman for USD1,200,000.00 expiry 4/27/93.

The captioned letter of credit was established as per your request dated April 14, 1983.

It was agreed that a counter guarantee, executed in our favour by the directors of Carlson Farm as well as by the directors of the Holding Co. (H/S Linden Investment Co. Ltd.), will be furnished to us. To complete our records we are enclosing the following forms which please complete and return.

- 1] Guarantee forms 4 (for personal and corporate guarantees)
- 2] Account opening form/specimen signature card.
- 3] Corporate resolution
- 4] Article of Incorporation (not included)

We append below the details of L/C commissions received and due from you.

- 1] Commission @ 1% per annum for period April 1983 to April 27, 1984  
USD 12,000.00 Paid
- 2] Commission for period April 28, 1984 to April 27, 1985.  
USD 12,000.00 Due
- 3] Commission for period April 28, 1985 to April 27, 1986.  
USD 12,000.00 Due
- 4] Commission for period April 28, 1986 to April 27, 1987  
USD 12,000.00 Due

We will be obliged if you would kindly arrange to send us your payment of USD36,000.00 being the total amount of our commissions due upto date.

Regards,

Hassan Farvez

CARLSON FARM LTD

Carlson Farm owns a 289 acre parcel of land together with buildings thereon in the town of Sherman, Connecticut State. The cost of the property is over \$1 million, which includes a mortgage of US\$154,000/-. This land is subdivided into 81 lots with each being a minimum of 2 acres.

Carlson Farm has a plan to develop the entire land into residential plots and sell them either in a package or in individual lots. The town of Sherman had agreed with the subdivision of 81 lots. They however withheld the approval for want of a bond/LC to ensure that the road construction etc will be installed in accordance with the approval of the town of Sherman. A letter of credit for the purpose is established by BCCI, Miami on account of Carlson Farm.

Carlson Farm is a 100% subsidiary of Linden Investment Company Ltd., which is an Investment Company registered in Grand Cayman in 1978. Its total assets exceed US\$4,000,000.

The following are the Directors of Linden Investment Company Ltd.

1. Mr. M. M. Hamoud
2. Mr. Peter Kandiah
3. Mr. Ian Falconer
4. Mr. H. M. Kazmi /

The majority shares of the company are held by Mr. M. M. Hamoud. He is a very good customer of the BCC Group and possesses large means.

Facilities Required : Letter of Credit for US\$1,000,000

Period : One Year

Security : Counter guarantee of the company, as well as its holding company, namely Linden Investments Company Limited.

100 LEADENHALL STREET LONDON EC3A 3AD

DATE: 14th April 1983

FROM A.A. Gillani,  
BCCI, London.TO: Mr. Sakhia,  
BCCI, Miami.

SUBJECT:

As discussed with you on telephone, I enclose herewith letter received from Carlson Farm Limited together with proforma of letter of credit to be issued in favour of Town of Sharman.

As explained in the letter, the Carlson Farm Ltd owns a plot of agriculture land in Connecticut which they desire to divide into smaller residential plots. The enclosed letter of credit is required by them to submit to the Town of Sharman by 26th April 1983.

I will be grateful if you kindly issue the credit at your earliest.

As for the Company, kindly note that it is presently managed by M/s Investrade Europe SA, who are one of our very good customers and have been dealing with the Bank for number of years. The Directors of the Company are well known and possess good means. Our group-dealing with them have been very satisfactory.

I have discussed the proposal with Mr. Kamal Shoaib who has kindly advised me to forward the letter to you with the request to send the proposal for his approval.

I will be grateful if you kindly obtain his consent on telex.

A.A. Gillani. L/C to be opened  
as per Mr. Sakhia's authority  
RECEIVED APR 8 1983  
when



**BANK OF CREDIT AND COMMERCE INTERNATIONAL**  
**OVERSEAS LIMITED**  
**1200 BRICKELL AVENUE MIAMI, FLORIDA 33131-3300 U.S.A.**

23 March 1989  
 ADV556

Mr. H.M. Kazmi  
 I.C.I.C.  
 c/o Bank of Credit and Commerce Intl.  
 100 Leadenhall St.  
 London EC3AD  
 United Kingdom

RE: Our Standby L/C #IMP/227/83  
 for US\$1.2M favoring Town of Sherman Expiry 4/27/93.

Reference may please be made to our letter dated Feb. 1st. 1988. We shall appreciate if you could kindly arrange to send us the following documents.

1. Guarantee forms 4 (for personal and corporate guarantees).
2. Audited financial statements of Carlson Farms and Linden Investments Co. Ltd.

We shall be grateful if you could also kindly send us the approval of CCC for this facility.

Thanking you,

Sincerely yours,

  
 Hassan Parvez

eb/.

**Curtis Hagen Real Estate**

87 SMITH AVENUE  
WHITE PLAINS, N. Y. 10605

FAX: 914/949-5188

TELEPHONE: 914 949-5124

February 10, 1992

Mr. Jonathan Winer  
Sen. John Kerry  
Washington, D.C. 20510

Dear Mr. Winer,

A brief addendum of our phone conversation Friday last:

Card attached to the "Pacific Southwest Capital Corp." --- "NYC" refers to Land between 95th & 96th Street on 3rd Avenue E/S, New York City, suitable for a mix of 300 residential dwelling units.

I was told in mid '82 by Mr. Elley of BCCI, Park Ave. Branch, that the real owner of the 3 properties, namely New York, Boston & Sherman, CT. was Mohhammed Hammoud, who in turn appointed Mr. Hostler to replace me.

The status at that time was: in NYC, I engineered a joint venture between BCCI and Skanska with an agreed to Land Evaluation of 5 Million (BCCI purchased it at 1.1 Million). In the midst of contract negotiation between the 2 Law firms representing each entity. In the meantime, I turned down an offer of 4 Million in cash by Paul Milstein; because the tax burden was too severe. However, he eventually built the project, although the chain of title after Hammoud came on the scene with Hostler, is unclear to me.

In Boston: I arranged a zoning change from a 2 story Taxpayer to a 17 story and lower condominium residential & commercial building with on-premises parking. This process, as you know, was extremely complex and took 2½ years to bring it to a point, where only a very routine submission of a detail was needed to finalize. BSO now has ownership. Hostler arranged the sale to BSO for Hammoud, however I do not know what consideration BSO gave to Hammoud/Hostler.

In Sherman: After 6 Tons of Papers, Maps, Demographics etc. the final sub-division was approved and I negotiated the required Road Bond.

After my herculean efforts in connection with these 3 diversified projects, I felt duty-bound to cooperate with my successor & to help whenever asked to bring these projects to a successful conclusion. Even though there was no compensation, it was a matter of professional pride. Unfortunately Hostler, the Real Estate Typhoon, knew as much about Real Estate as my Aunt Matilda knew in 1860 about building a Space Shuttle.

Curtis Hagen Real Estate

My vast staff consisting of my beautiful daughter Annette (my totally unbiased opinion), made a note of a meeting on Fri. 7/16/82 between Hammoud, Hostler, Pisani (who I believe was an architect), Milne and us 2 chickens. The meeting place was the Hammoud suite at the Pierre Hotel in NYC. It was either at that meeting or a few days before wherein Hammoud placed both hands on Hostler's shoulders and said: "There will be a Cadillac in your driveway, tomorrow morning."

I have enclosed Telex coomunications between Hustler & myself.

Since '79 I was advised continously that BCCI - London was the owner and was further asked to keep the BCCI ownership confidential, as that revelation would escalate prices, since it was a rich bank.

This matter is so complex, that my brief addendum turned out to be a full blown epistle. If the Senator seeks my advice on the state of the Economy, it will be much shorter.

Best of luck in your fact-finding investigation.

Sincere regards,

A handwritten signature in black ink, appearing to read "Curtis Hagen".



AMBASSADOR OF  
THE UNITED STATES OF AMERICA  
MANAMA

February 4, 1992

Senator John F. Kerry  
(D., Massachusetts)  
United States Senate  
362 Russell Senate Bldg.  
Washington, D. C. 20510

Dear Senator Kerry:

Thank you for your communication of 18 January 1992 to Assistant Secretary Janet Mullins of Legislative Liaison, which was then forwarded to me.

It is a pleasure to respond promptly to your questions, in order to meet your deadline of February 8, 1992.

My answers are keyed to each of the questions, posed by you, and are made in Affidavit Form under oath.

It is good to note that you state, "I in no way want to imply that the Subcommittee has uncovered any evidence of wrong doing on the part of Ambassador Hostler". It is my belief that the facts and these responses can only reinforce that statement.

Thank you for your interest and assistance.

Respectfully,  
A handwritten signature in black ink, appearing to read "Charles W. Hostler".  
Charles W. Hostler  
Ambassador

February 4, 1992

**AFFIDAVIT (UNDER OATH)****QUESTION:**

A. When did you first meet Mohammed Hammoud? Please provide the date, location, and circumstances of the meeting including any other persons present and the substance of the matters discussed.

ANSWER: During the period 1958 to 1961, I was the U.S. Air Attaché at the U.S. Embassy in Beirut, Lebanon. In that era, Ms. Violette Mirza was the Arabic Language instructor at the U.S. Embassy. In approximately 1960, Ms. Mirza married Mohamed Hammoud, and I met him then in Beirut. Our limited relationship was purely social. (See also para D below).

B. QUESTION: Were you informed at any time by any source of services performed, or to be performed by Mr. Hammoud for the Central Intelligence Agency, or any other entity of the United States Government? If so, please identify each such source, and the date and substance of each such communication.

ANSWER: I was never informed by any source (nor was ever aware) of services performed or to be performed by Mr. Hammoud for the CIA or any other entity of the USG.

C. QUESTION: Please describe to the Subcommittee everything you know about Mr. Hammoud's various business interests, including but not limited to:

- The location of each of Hammoud's business ventures;
- The source and amount of financing for each such venture;
- Any partners or participants in each such venture with Hammoud;
- Any services provided to Mr. Hammoud in each such venture by any American;
- The names of any corporations, trusts or other entities used by Hammoud as vehicles for each such venture.

ANSWER: You ask me to "describe everything I know about Mr. Hammoud's various business interests, including but not limited to:"

(1) The location of each of Hammoud's business ventures:

Answer: I became directly aware of several real estate properties that I understood were owned by Mr. Hammoud:

(a) Carlson Farm Ltd., Sherman, CT.

(b) Boston, Massachusetts (a property adjacent to Boston Symphony)

(c) New York City (95th and 3rd Avenue property),

And indirectly:

(d) Properties in Windsor, Ontario,

(e) Property in Alexandria, Virginia,

(f) A shareholding in BCCI.

(2) The source and amount of financing for each venture:

Answer: Mr. Hammoud did not discuss such matters with me. After 1982, I generally became aware that he was a substantial shareholder in BCCI. That organization was a likely source of his financing. In the 1980s, BCCI was just another bank. It wasn't until about three years ago that BCCI's unsavory reputation began to be known.

(3) Any partners or participants in each such venture with Hammoud?

Answer: He seemed to be a single owner (that is, I was never aware of any partners). I was never a partner or financial participant in any of his ventures.

(4) Any services provided to Mr. Hammoud in each such venture by any American?

Answer: Most of Mr. Hammoud's associates who came to my attention appeared to be Lebanese or Pakistani. The only other Americans I can recall (other than myself; see D below) were : Earle Milne, Real Estate Broker, St. George, Utah (in mid-1980s); Curtis Hagen, Real Estate Broker, White Plains, New York (about 1982); and Attorney Henry Pascarella of Greenwich, CT., who was the President (?) and legal representative for Carlson Farms, Ltd. (which I believe is a Connecticut corporation).

(5) The names of any corporations, trust or other entities

used by Hammoud as vehicles for each such venture.

Answer: While my knowledge was limited, between 1982 and 1988 I did hear Mr. Hammoud refer to:

- Investrade, London (his London office)
- Linden Investments
- Copperwood, N.V.
- Marmaris Investments, N.V.
- Eastward Corporation, N.V.
- Carlson Farms, Ltd.

The latter five companies listed above were, I believe, Mr. Hammoud's holding companies for the three properties listed in para C(1)a, b, and c above.

D. What was the nature of your business relationship with Mr. Hammoud? Please be specific and include any and all business ventures in which you may have invested with Mr. Hammoud or in which you may have given advice to Mr. Hammoud or received advice from Mr. Hammoud.

ANSWER: I had almost no contact with the Hammouds between 1960 and the early 1980s. Mrs. Hammoud then looked me up in California, and I was guest of Mrs. Hammoud and her husband for dinner in La Jolla. He then had limited use of English, and we conversed in French. He considered me expert in U.S. real estate matters, since he lived abroad and was then largely unacquainted with U.S. real estate practices. In about 1982, he contacted me again and asked for real estate advice about three problem properties (he then apparently had no staff or assistants in the USA). These properties were:

- (a) Carlson Farms, Ltd., Sherman, CT. (vacant land),
- (b) Old building adjacent to Symphony, Boston, Mass.,
- (c) 95th Street and 3rd Avenue, "tear-down", NYC.

His inquiries and my advisory activities for him were intermittent and limited. I would estimate that they involved perhaps an average of several hours a month in the period between 1982 and about 1988.

E. QUESTION: What is Linden Investments? Who are the Directors or Trustees of Linden Investments?

ANSWER: I understand that this was one of Mr. Hammoud's

offshore holding companies. Mr. Imtiaz ANSARI was then (in the 1980s) Mr. Hammoud's office manager in London, and he acted as general factotum and Director or Trustee of at least some of these entities. I know of no other directors or trustees.

F. QUESTION: How did you become the authorized representative of Carlson Farms? What were your duties as the authorized representative? How were you compensated for your duties? Who compensated you? Please provide the Subcommittee with a list of all expenses incurred as a result of your work done on behalf of Carlson Farms.

ANSWER: In 1982, when Mr. Hammoud asked me to advise him on the three problem properties (para C(1) a,b, and c). A letter was written at Mr. Hammoud's request to authorize me to act on his behalf in relation to obtaining a sub-division map for Carlson Farms (in lieu of Curtis Hagen, who had been acting in this capacity earlier). Attorney Henry Pascarella was the President (?) of Carlson Farms, Ltd., and he was resident in Sherman, CT. I subsequently helped in trying to protect this rural property from wood poachers, trespassers, etc. by appealing, by letter, to local governmental authorities in the mid-1980s.

I had, and have, no investment interest in these or any project involving Mr. Hammoud or BCCI. I received no salary, gifts or other gratuities or compensation from Mr. Hammoud, though I was reimbursed for my direct, nominal, actual, receipted expenses. Mr. Imtiaz Ansari, his London office manager, usually mailed back the reimbursement. The last such reimbursement was, I believe, in about 1987. The amounts were nominal and actual and I no longer have any records of these. I have been told that Mr. Hammoud died about two years ago.

G. QUESTION: Have you ever met any directors or officers of the Bank of Credit and Commerce International? Please describe the circumstances, including dates, location and substance of the meetings.

ANSWER: I cannot recall meeting any persons known by me to be Directors or Officers of BCCI.

H. QUESTION: Have you, or any entity controlled, directed, managed, or owned by you, ever received a loan or other funds from any branch, director or office of BCCI? If so, please identify each such loan by amount, purpose, branch, security, terms, and the name of any entity receiving each such loan.

ANSWER: No. Neither I, nor any entity controlled, directed, managed, or owned by me, ever received a loan or other funds from any branch, director or officer of BCCI;

nor, to the best of my knowledge, from any subsidiary or U.S. bank with a BCCI connection.

I. QUESTION: Have you ever acted as a representative for BCCI, or for any BCCI officer or director on any matter? If so, please identify each such occasion, including the nature of the representation, the person requesting the representation, the compensation, if any, paid you for the representation, and all actions taken by you in connection with each such representation.

ANSWER: No.

J. QUESTION: Have you ever discussed BCCI, or any BCCI affiliate, officer, or director, with the Emir of Bahrain? If so, please provide the date, location and substance of any discussion.

ANSWER: Only to tell him, as I've told you above, that I had no relationship with BCCI.

K. QUESTION: Have you ever met any relative of Mr. Hammoud? If so, please specify with whom, when, where, and the purpose of each such meeting.

ANSWER: Yes, I have met the following relatives of Mr. Hammoud: his wife, Violette (see above); his daughter, Shams; and his son Kassem (about 23 years old) on various social occasions over the years, with no business purpose. I did meet his nephew, Jihad Jafet (sp?), a young draftsman living in the New York City area, about 1986.

L. QUESTION: Do you know of any U.S. citizen who has conducted business with any relative of Mr. Hammoud? If so, please identify any such individual by name, address and the nature of his business; please also identify the business that U.S. citizen engaged in with Mr. Hammoud, the relevant dates of any such relationship and how you came to know of any such relationship.

ANSWER: The only U.S. citizens I can recall who conducted business with Mr. Hammoud or his relatives were Mr. Earle Milne, Real Estate Broker, St. Georges, Utah, who sold Mr. Hammoud a house in London about 1983. About 1985, Mr. Hammoud asked me to look at some land in Utah that Mr. Milne was eager to sell to him. During a visit to Las Vegas, I did look at the land and wrote Mr. Hammoud a letter advising against such a purchase. See also those persons listed in para C(4) above.

M. QUESTION: What bank financed your acquisition of 50 percent of Mission Savings and Loan in 1981? Please identify any partners who joined you in the acquisition, including their name and address.

N. QUESTION: How did you learn of the opportunity to purchase Mission Savings and Loan in 1981? Please identify any persons who advised you of this business opportunity.

ANSWER TO M AND N: This small entity was Mission Thrift and Loan Association (not a Savings and Loan, and not to be confused with Mission Savings and Loan). It was chartered by the California Department of Corporations, and did not have FDIC insurance. It was not "acquired" but a group of San Diego residents sought and obtained a charter (each of whom invested a certain amount of money). My ownership never exceeded about 10% of the Association, and the money was not borrowed but came from my personal funds. The names and addresses of the organizers can be obtained from the California Department of Corporations.

The Association was not profitable, but had an honorable end. It was duly dissolved last year, with all bills paid and all depositors paid off, to the complete satisfaction of the California Department of Corporations (but was largely a loss to the investors, including myself).

O. QUESTION: Did Mission Savings, or any affiliate or any successor entity of Mission Savings, ever conduct any business with BCCI, Mr. Hammoud, or any Government official from any Gulf State? If so, please identify the business including the dates, amounts, nature of the business, and persons or entities involved.

ANSWER: Neither Mission Thrift, nor any affiliate or any successor entity of Mission Thrift ever conducted any business with BCCI, Mr. Hammoud or any government official from any Gulf State (or, as far as I know, anyone outside of the State of California).

P. QUESTION: Have you ever met or communicated with Kamal Adham? If so, please describe the circumstances under which you made his acquaintance and please describe any communications, business activities, or other contacts you have had with him, including the dates, locations, and substance of any such communications, business activities or contacts.

ANSWER: I have never met or communicated with Kamal Adham.

Q. QUESTION: Have you ever met or communicated with any of the following individuals:

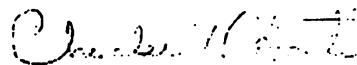
- Robert Edward Powell
- Kerry R. Fox
- Roy P. M. Carlson

-- Mohammed Rahim Motaghi Irvani

-- Rafik Hariri

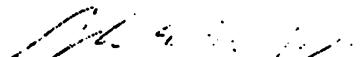
If so, please describe the circumstances under which you made his acquaintance and please describe any communications, business activities, or other contacts you may have had with these individuals, including the dates, locations, and substance of any such communications, business activities, or contacts.

ANSWER: I have never met or communicated with any of the above individuals, to the best of my knowledge.



Charles W. Hostler

Subscribed and sworn to before me, Thomas E. Williams, Jr. Vice Consul of the United States of America at Manama, Bahrain, duly commissioned and qualified, this Fourth day of February, 1992.

  
Thomas E. Williams, Jr.  
Vice Consul of the United  
States of America



**NEW YORK**                   **OFFICE**  
**BANK OF CREDIT AND COMMERCE INTERNATIONAL**  
SOCIETE ANONYME  
320 PARK AVENUE NEW YORK N.Y. 10022

## **FAX TRANSMISSION**

November 14, 1990

To: Mr. Mansoor Shafi  
First American Bank of New York

**RE: STANDBY LC NO. 50356/88 FOR \$378,081.00**

With reference to the subject standby letter of credit issued in your favor for account of Investrade Developments of Virginia, Inc. we advise that the expiry of the SBLC may be extended for an additional period of six months under the automatic renewal clause. We also authorize you to debit our account maintained with First American Bank for recovery of charges related to this transaction.

In November 1988, we sanctioned a standby letter of credit for \$378,081.00 which was issued by us in your favor on account of Investrade Development of Virginia Inc., in relation to public improvements/development of land in the City of Alexandria, Virginia. Investrade Development of Virginia Inc., formerly known as Congressional Place Limited, incorporated in Delaware, is engaged in real estate investments, and was associated with the late Dr. M. M. Hammoud, who had been a valued client of ours for over ten years.

Very truly yours,

S.S.A

Shakil Hussain

John W.

Akbar Husain

TELEPHONE: (212) 715-2800 TELEX: 425802 CABLES: BCCINYEO

NY 0006004  
CONFIDENTIAL

Incorporated in Luxembourg

A Subsidiary of BCCI Holdings (Luxembourg) S.A.



320 PARK AVENUE NEW YORK NY 10022

**FAXED**

September 5, 1990

DATE:

FROM J.A. Pezzuti/S. Raheem  
BCCI, New York

TO Mr. Khalid Sharwani  
Central Credit Division  
BCCI London

SUBJECT STATEMENT OF CLASSIFICATION OF LOANS (NEW YORK AGENCY)

This refers to your fax message dated August 24, 1990. Our comments are as follows:

1. **330 Madison Company:** The loan has been adjusted in the books of New York Agency and was transferred to U.K. Region on August 21, 1990.
2. **Caprock Properties:** In our opinion the specific reserve of 50% will have to be increased as the recent appraisal done on July 25, 1990 stipulates the appraised value of USD 5.00 million only with the first mortgage ahead of us of USD 5.4 million, copy of new appraisal is being sent to you separately. Copy of this was obtained from 1st mortgage holder by our attorneys. Since the new appraisal came after the review of account was conducted, we are now inclined to propose 100% specific provision. Copies of Regional Credit Committee approval and disbursement authorisation is enclosed, as requested by you.
3. **M.M. Hammoud/Carlson Farm:** There has been no change in the status of account since the demise of Mr. Hammoud.

*R601 already approved on 5/14/90*

| CCD's request for essential information and authorisations for new appraisals on the property still remain unresponded by the U.K. Region.

In the absence of current appraisal, zoning approvals and their expiry dates, we are unable to comment on current value of the property.

The specific reserve equivalent to 20% is fully justified for following reasons:

- a. The account is classified as "substandard" by the regulators, N.Y. Agency, Price Waterhouse & CAD.
- b. Our outstandings of approx. \$6.0 million are secured by 1st mortgage over a piece of land valued at \$6.3 million per appraisal report available in the file.
- c. Absolutely no information on Mr. Hammoud's financial standing and source of repayment of our outstandings.
- d. Lack of information about the handling of Mr. Hammoud's obligations after his death.

NY 0006033  
CONFIDENTIAL



320 PARK AVENUE NEW YORK NY 10022

DATE: May 15, 1990

FROM: Regional Credit Department

TO: RCC

SUSJECT: M.M. HAMMOUD

**M.M. HAMMOUD**

We have been informed that Mr. Hammoud passed away last week.

Following are outstanding facilities in the related companies for the above client.

1. Investrade	Loan Principal	\$5,445,000
	Interest	\$ 603,721
· M.M. Hammoud	SBLC	\$ 378,081
2. Carlson Farms	SBLC	\$ 150,000

In order for us to assess Banks position, we seek RCC approval for the following:

1. Refer our security documents to legal council to assess our position.
2. Obtain appraisal on the property in Virginia, which will cost USD 6,000 to USD 8,000 approximately.

*[Handwritten signature]*  
 Also consult attorney &  
 advise re. any notice  
 to be sent/filed because  
 of Mr. Hammoud's death or any  
 other action to be taken

*Agree 1&2 -*  
*Appraisal expenses should*  
*be debited to client or, if*  
*because of deceased, keep it*  
*as a claim payable*  
*by client.*

NY 0012522  
CONFIDENTIAL



320 PARK AVENUE NEW YORK NY 10022

DATE: April 27, 1989

FROM: B.A. Palkhiwala  
General Manager, USATO: Mr. Abdur R. Sakhia  
US Support CentreSUBJECT: CARLSON FARM LTD.  
MIAMI ADVANCES

Attached is a FAX from Engracia Estallela which is self-explanatory. You are probably familiar with this account as the L/C was opened under your instructions in response to Mr. Gilani's letter from London dated April 14, 1983 to yourself, copies attached.

These liabilities on the books of Miami are totally undocumented. The file does not contain formal approval, Board Resolutions, Signature Cards, etc.

Incredible as it sounds, one year later in 1984 the liability was reversed and for four years was not recorded in our books while the L/C remained outstanding.

In February of 1988, the mistake was discovered, standby L/C being reinstated on the books. Past fees of \$48,000 was collected and a letter was despatched to London to regularize the documentation. No response has been received.

The client is now requesting an L/C to be opened by a New York bank in the amount of \$150,000 in exchange for returning/cancelling the existing standby L/C of \$1.2 million.

Since it is London's client, Miami is requesting London to arrange for the issuance of the standby L/C so that Miami can reduce its liability of \$1.2 million.

This matter needs urgent handling and I request that you communicate with the right persons in London to settle this matter immediately. We must get this matter regularized without delay, not only to remove the liability of \$1.2 million from Miami's books but also for reasons which we are all aware.

Your earliest response will be highly appreciated.

Kindest regards,

*B.M. Palkhiwala*  
B.A. Palkhiwala

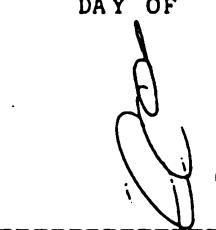
CC: Mr. Ameer Siddiki, London  
Mr. Imtiaz Ahmed, Central Credit Division, London

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS THAT THE UNDERSIGNED HAS MADE, CONSTITUTED AND APPOINTED, AND BY THESE PRESENTS DOES HEREBY MAKE, CONSTITUTE, AND APPOINT, ROBERT A. ALTMAN, OF THE LAW FIRM OF CLIFFORD & WARNEKE, AS THE UNDERSIGNED'S TRUE AND LAWFUL AGENT AND ATTORNEY-IN-FACT TO ACT IN THE NAME, PLACE AND STEAD, AND ON BEHALF OF, THE UNDERSIGNED WITH RESPECT TO ANY AND ALL MATTERS RELATING TO THE TRANSFER SALE OR OTHER DISPOSITION OF REGISTERED SHARES IN CREDIT AND COMMERCE AMERICAN HOLDINGS N.V. (THE 'COMPANY'), HELD IN THE NAME OF THE UNDERSIGNED, GIVING AND GRANTING UNTO SUCH AGENT AND ATTORNEY-IN-FACT, FULL POWER AND AUTHORITY TO DETERMINE THE PRICE PER SHARE TO BE PAID AND, UPON VERIFICATION OF RECEIPT OF THE UNDERSIGNED OF THE FULL PURCHASE PRICE, TO ENDORSE OVER THE CERTIFICATE ON BEHALF OF THE UNDERSIGNED TO THE PURCHASER AND TO PERFORM EACH AND EVERY ACT AND TRANSACTION WHATSOEVER REQUIRED AND NECESSARY TO BE DONE TO PERFECTUATE THE TRANSFER OF OWNERSHIP, INCLUDING ARRANGING THE DELIVERY OF SAID CERTIFICATE TO THE PURCHASER AND THE PROPER ENTRY ON THE SHARE REGISTER OF THE COMPANY. THE UNDERSIGNED HEREBY RATIFIES EACH AND EVERY ACTION TAKEN BY MR. ALTMAN AS THE UNDERSIGNED'S AGENT AND ATTORNEY-IN-FACT WITH RESPECT TO ANY ACTION TAKEN BY HIM IN CONNECTION WITH ANY OF THE FOREGOING MATTERS.

*(A large rectangular stamp is placed across the middle of the paragraph, containing the text 'COPIED AND MAILED TO THE FEDERAL BUREAU OF INVESTIGATION' in a diagonal orientation.)*

IN WITNESS WHEREOF, THE UNDERSIGNED HAS HEREUNTO SET HIS HAND AS OF THE DAY OF



MOHAMMAD M. HAMMOUD

R.Y.:

TITLE: \_\_\_\_\_

SHARE TRANSFER DEED

1. Mr Mohammad M Hammoud hereinafter to be called 'the transferor'
2. hereinafter to be called 'the transferor'
3. Credit and commerce American Holdings, N.V., a Company with limited liability under the laws of The Netherlands Antilles, of Willemstad, Curacao, Netherlands Antilles, hereinafter to be called 'the company'.

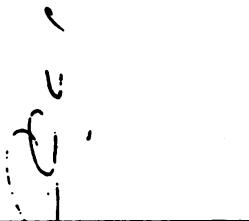
Have agreed and hereby declare:

The transferor hereby transfers to the transferee free and clear title to registered Shares in the Company, of a nominal value of US Dollars, 1.00 each, and the transferee hereby accepts to the said Shares.

The consideration for the transfer of the Shares as agreed by and between the transferor and the transferee has been received by the transferor.

The transferor warrants that no rights, pledge, usufruct or any other charge have been granted to third parties in respect of the Shares hereby transferred, and that no shares certificates have been issued thereto.

Signed this                    day of                    in

  
(Transferor)

  
(Transferee)

MR. MOHAMMAD M. HAMMOUD  
Credit and commerce American Holdings N.V.

Dated:

1784

ANNEXURE B

Recent trends in the U.S. banking and the initiative exercised by individual states in passing interstate banking legislation, imply that due to a substantially increased activity in mergers and acquisitions, the trend in premiums paid over the books value of acquired banks indicate that well run banks with assets of good quality have minimum purchase price in the region of 2.5 to 3.0 times their book value.

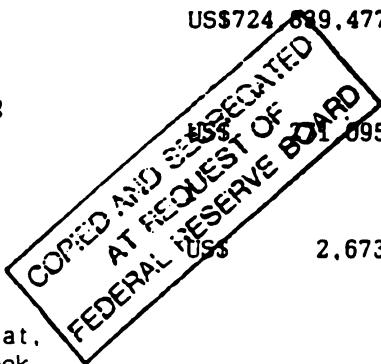
Market Value of the share of Credit & Commerce American Holdings N.V. (CCAH) was evaluated on basis of the book value of the Company's shares as at 30 September 1988, as per Company's audited balance sheet.

Book Value of CCAH as at  
30 September 1988 US\$724,629,477.00

Number of shares outstanding  
as at 30 September 1988 21,095.00

Book Value per share as at  
30 September 1988 2,673.75

"Market Value" per share as at,  
say 90% of 2.75 times the book  
as at 30 September 1988 US\$ 6,617.53



The Directors of CCAH consider the above market value to represent a fair value of the Company's shares. CCAH is the ultimate parent company of First American Bankshares Inc. (FAB), a multistate bankholding company which operates banks in New York, Maryland, Virginia, Tennessee and the District of Columbia, with total assets exceeding US\$ 9.6 Billion and 210 branches and banking offices situated in some of the most prime locations in the above States. FAB ranks well within the first 100 largest bank holding companies in the U.S.A, and recently acquired NBC Financial Corporation, the bank holding company which owns National Bank of Georgia in Atlanta, Georgia.

Value of 2115 Shares Held  
For Rubstone Trading Company  
As per arrangement with Mr  
M M Hammoud US\$ 13,996.075.95

The Manager,  
Bank of Credit & Commerce International,  
(Overseas) Limited,  
P.O. Box 1359,  
George Town,  
Grand Cayman.

Dear Sirs,

With reference to the loan advanced by you on my recommendation to Messrs. Rubstone Trading, of amount up to US\$ 12 Million, I hereby authorise you to hold my shares in Credit and Commerce American Holdings N.V., as security to cover the outstanding balance of the loan.

*COPIES OF THIS DOCUMENT ARE CIRCULATED  
FEDERAL BUREAU OF INVESTIGATION*

For this purpose, I enclose blank transfer deeds signed by me as transferor.

Yours faithfully,

MOHAMMAD M. HAMMOUD

ANNEXURE ARUBSTONE TRADING COMPANY

Rubstone Trading Company was registered in Panama in 1984. The director, Mr Y T Chehadah, who is a Lebanese national. The Company is engaged in short-term investments in stocks and shares, and in real estate on a smaller scale in Lebanon and on a comparatively bigger scale in Europe, the United States and the Far East.

Mr Y T Chehadah is very well known to Mr M Hammoud through, whom he was introduced to BCCI. Upon Mr Hammoud's recommendation, Mr Chehadah's banking relationship was established with BCCI. Some of the credit facilities to Mr Chehadah and his companies were recommended by Mr Hammoud and have satisfactorily been settled.

*CONFIDENTIAL  
A REQUEST OF  
THE FEDERAL RESERVE BOARD*

13K 21/04  
MESSAGE # 775  
DI : 3581821 : JDE:RT : TELEX: 442473183.015+ : 4631 :  
RY:  
RCA  
YR ID ?  
264862 ECC LAR  
PLS SELECT SERVICE ?RT

RCA TELEX SA 2842469183.015+

MAY 15 1984 039904

ECC: 4691AGMC

SA TEXT ?

:

TUE MAY 15 1984

THE MANAGERS  
ECC MONTE CARLO

RE: RONAN KHASHOGGI ACC. NO. 1000739

WE ARE IN RECEIPT OF CHECK OF US\$100,000.00 PAYABLE TO EASTERN AIRLINES. WOULD APPRECIATE IF YOU WOULD KINDLY BLOCK \$100,000.00.  
WE ARE SENDING YOU CHECK BY DHL AND YOU ARE KINDLY REQUESTED TO CREDIT THE PROCEEDS BY TELEGRAPHIC TRANSFER TO SECURITY PACIFIC INTERNATIONAL NEW YORK FOR ACCOUNT OF ECC MIAMI FOR ACCOUNT OF EASTERN AIRLINES. VALUE 19 MAY 1984.

RGDS.

AKBAR BILGRAMI  
ECC-LAR  
MIAMI

ECC: 4691831C.....  
0001.8

THANK YOU FOR UPDATING RCA

DELIVERED MSG  
DURATION 151 SECs LISTED 2114 00001-13-00

PAGE 3 IS NEXT

785

25

PYT

3375/L

-GTW 0829 EDT 03/05/86

105 1986 0831  
25808A BCCINY MT

CI 469183MC

1 NO 5535 TS/GE DTD 5-3-86  
BCCI NEW-YORK  
BCCI MONTE-CARLO

ST NO ~~058~~ FOR USD 30.000,- DTD 5-3-86

UE 7-3-86 PLS PAY USD 30.000,- TO CITIBANK  
8 - 5TH AVENUE NEW-YORK CITY 10019 FOR CREDIT  
AKORF A/C NO 04505126599 B/C ADNAN KHASHOGGI.  
REF : DTT/MC/NY/058/86 (.)

DS

CI MONTE-CARLO  
25808A BCCINY MT.

CI 469183MC  
PLY VIA ITT

TELEGRAM  
TELEX MESSAGE

MAR 5 1986

SAME DAY CREDIT & COMMERCE INTL.  
NEW YORK

TEST AGAIN

EY DISC.  
ended time 00:01:24

INTED AT 0830 EDT 03/05/86

A22 call

NY 0020777  
CONFIDENTIAL



BANK OF CREDIT AND COMMERCE INTERNATIONAL S.A.  
NEW YORK AGENCY 320 PARK AVENUE NEW YORK NY10022

OUR REF PTY.

DATE

## PAYING BANK

The Bank of New York  
110 Washington Street  
New York, N.Y. 10015  
Att: Paying And Receiving Dept.

## ORDERING BANK

Dear Sir:

To the debit of our account No. 91-2158 with you, please effect  
the following payment today in CHIPS/FEDERAL FUNDS.

Amount in figures \$ 30,000.00

Amount in words US Dollars Thirty thousand only

Pay To: Citibank, 640 5th Ave, NEW YORK 10019  
For account of 04605128599 of AKOAP.

Reir Ref: B/O : Adnan Khashoggi

Truly yours,

Authorized Signature

PHONE (212) 715 2800  
Incorporated in Luxembourg

Authorized Signature

TELEX: 425001 BCCI NY MT  
A Subsidiary of BCCI Holdings (Luxembourg) S.A.

ACT-F-48

NY 3020776  
CONFIDENTIAL

25

PYT

3375/L

-GTW 0829 EDT 03/05/86

R 05 1986 0831  
25808A BCCINY MT

CI 469183MC

C NO 5535 TS/GE DTD 5-3-86  
BCCI NEW-YORK  
BCCI MONTE-CARLOST NO ~~058~~ FOR USD 30.000,- DTD 5-3-86LUE 7-3-86 PLS PAY USD 30.000,- TO CITIBANK  
8 - 5TH AVENUE NEW-YORK CITY 10019 FOR CREDIT  
AKORP A/C NO 04605126599 B/C ADVAN KHASHOGGI.  
REF : OTT/MC/NY/058/86 (.)DS  
CI MONTE-CARLO  
25808A BCCINY MT.CI 469183MC  
PLY VIA ITTINWARD  
TELEX MESSAGE

S MAR 5 1986

SAINT LUCIA & COMMERCE INTL.  
NEW YORK

TEST AGREED

BY DISC.  
closed time 00:01:24

INTED AT 0830 EDT 03/05/86

NY 0020777  
CONFIDENTIAL

A224all

DR GHAITH R. PHARAON'S GROUPSUMMARY OF GLOBAL LIABILITIES

(Amounts in US\$M)

	<u>31.12.1986</u>	<u>31.12.1987</u>	<u>31.01.1988</u>
BCCI S.A.	120	219	110
BCCI (Overseas) Ltd	100	106	92
	220	325	202

10077

FD 01644

31.01.1984

789

SUMMARY OF G.R.P. GROUP

S

BCCI S.A.

	<u>CASH</u>	<u>CONTINGENT</u>
Personal Account	\$ 98,027,500.00	\$ N11
Bahrain	\$ N11	\$ 10,842,683.38
Allied Account	\$ N11	\$ N11
Personal Account	\$ 222,224.64	\$ 1,291,000.00
Djibouti	\$ N11	\$ N11
Luxembourg	\$ N11	\$ 937,164.16
Allied Account	\$ N11	\$ N11
Allied Account	\$ 98,249,724.64	\$ 13,070,847.54

BCCI (OVERSEAS) LTD

Personal Account	\$ 3,671,765.94	\$ N11
Allied Account	\$ 5,709,424.12	\$ N11
Personal Account	\$ 63,409,797.15	\$ N11
Allied Account	\$ N11	\$ 12,930,085.22
Allied Account	\$ 72,790,987.21	\$ 12,930,085.22
Cash Liability	\$ 171,040,711.85	
Contingent Liability	\$ 26,000,932.76	
<b>TOTAL</b>	<b>\$ 197,041,644.61</b>	<b>\$ 2,000.00</b>
Less Deposit (-)	\$ 25,985,293.51	
<b>NET POSITION</b>	<b>\$ 171,056,351.10</b>	<b>\$ 170,000</b>

FD 01649

82114

&gt;T

28 JANUARY 1988

TO: CSO  
4TH FLOORTHE MANAGER  
BCCI (OVERSEAS) LTD  
GRAND CAYMAN

258

SUBJECT:

On the instructions of your client, Dr. Ghaith Pharaon, kindly debit his account number 04006703 and credit value 29 January 1988 the following amounts:

1. US\$107,436,488.27 to BCCI S.A., Bahrain, for the credit of account numbers listed below:-

<u>AMOUNT IN US\$</u>	<u>ACCOUNT NUMBER</u>
10,000,000.--	14000602
4,764,943.13	14000873
4,000,000.--	14000727
14,500,000.--	14000599
10,000,000.--	14000737
20,386,545.14	14000828
10,000,000.--	14000884
33,785,000.--	14001023
 <hr/>	
107,436,488.27	
 <hr/>	

2. US\$12,000,000.-- to account number 01006923, and US\$600,000.-- to account number 01006990 in your branch.
3. US\$9,950,000.-- to BCCI (Overseas) Ltd, Paris for Dr. Pharaon's loan account.

10.150

29 January 1988

241

NET SALE PROCEEDS OF  
NBGFC SHARES

UTILISATION OF SALE PROCEEDS

On 31 December 1987, balance outstanding in account number 04006703 in BCCI (Overseas) Ltd Grand Cayman was US\$130,670,381.94. This balance was utilised on 29 January 1988 as follows to repay the loans of Dr Ghaith Pharaon listed below:

1.	<u>Account No</u>	<u>Balance in US\$</u>
	14000602	10,000,000.00
	14000873	4,764,943.13
	14000726	4,000,000.00
	14000599	14,500,000.00
	14000737	10,000,000.00
	14000828	20,386,545.14
	14000884	10,000,000.00
	14001023	33,785,000.00
		<hr/>
		107,436,488.27
2.	US\$12,000,000.00 were utilised by BCCI (Overseas) Ltd Grand Cayman to settle the overdrawn balances in accounts numbered 01006923 and 01006990. The credit balances in these accounts on 31 January 1988 were US\$359,836.93 and US\$50,569.08 respectively.	
3.	US\$9,950,000.00 were remitted to BCCI (Overseas) Ltd Paris for:	
	(a) Payment of US\$1,720,585.35 to BCCI S.A Djibouti for full repayment of Dr Pharaon's loan account.	
	(b) Payment of US\$8,229,414.65 to Dr Pharaon's loan account in Paris Branch to reduce the balance from US\$11,858,317.99 to US\$3,628,903.34.	

1006?

DR G R PHARAON1. BACKGROUND

Dr Pharaon is a Saudi entrepreneur and a graduate of Harvard Business School. He established Saudi Research and Development Corporation Limited (REDEC) in 1966 with an initial capital of US\$ 110,000 which commenced business as a trading conglomerate in Saudi Arabia. The company was extremely successful during the early 1980's, but ran into difficulties in 1984 by which time the company had total assets in excess of US\$ 400 million. During 1987, the bank borrowings of REDEC were rescheduled for repayment over a ten year period. ECCI exposure relates to personal borrowings only and there is no exposure to REDEC.

In addition to REDEC, Dr Pharaon established diversified business interests outside the Kingdom. In 1978 he acquired 100% stake in the National Bank of Georgia (NBG) in Atlanta, which he sold in 1987 to CCAH for US\$ 220 million, on which a commission of 10% (US\$ 22 million) was paid to ECCI. His investments include banks, insurance companies, hotels and leisure concerns mainly in the Far East, Europe and the USA.

In January 1988, the sale proceeds of NBG held in a pledged deposit, were utilised to reduce the borrowings of Dr G R Pharaon, and a further reduction in loans by US\$ 20 million took place in June 1988.

2. EXPOSURE

US\$ millions

	15 June 1988		31 Dec. 1987		31 Dec. 1986	
	Exposure	Limit	Exposure	Limit	Exposure	Limit
Funded facilities	181.0	170.0	297.7	170.0	238.6	200.0
Contingent facilities	18.9	20.0	25.5	20.0	6.5	20.0
	—	—	—	—	—	—
	199.9	190.0	323.2	190.0	245.1	220.0
	—	—	—	—	—	—

10J12 FD 0/639

- 2 -

3. SECURITY

US\$ millions	<u>15 June 1988</u>	<u>31 Dec. 1987</u>	<u>31 Dec. 1986</u>
Shares in NBG Financial Corp.	-	-	140.0
Shares in Independence Bank	60.0	60.0	49.0
Shares in Centrust Savings Bank	15.0	-	-
Shares in Club Méditerranée	37.0	-	-
Deposits under pledge	34.0	160.1	34.0
	<hr/>	<hr/>	<hr/>
	146.0	220.1	223.0
	<hr/>	<hr/>	<hr/>

4. REVIEW OF THE ACCOUNT

Dr Pharaon maintains an active portfolio of accounts with ECCI, and meets his commitments on time. The portfolio has a high turnover as the credit facilities (cash and contingent) extended to Dr Pharaon are generally for one year, occasionally renewable thereafter for three to six months.

In January 1988, the cash exposure of US\$ 297.7 million was reduced by application of the pledged deposit carrying the sale proceeds of NBG. In June 1988 the loans were further reduced by US\$ 20 million. The cash exposure as at 15 June 1988 is as follows:

	<u>US\$ millions</u>
Cash Exposure	181.00
<u>Less</u> : secured by deposits	<u>(34.0)</u>
	147.0
<u>Less</u> : secured by shares in Independence Bank	<u>(60.0)</u>
	87.0
<u>Less</u> : secured by shares in Centrust Savings Bank	<u>(15.0)</u>
	72.0
<u>Less</u> : secured by shares in Club Méditerranée	<u>(37.0)</u>
	35.0

FD 01640

- 3 -

<u>Less</u> : approved clean limit	<u>(25.0)</u>
Clean Exposure	10.0

Additional securities to reduce the clean exposure are expected to be deposited by Dr Pharaon.

OTHER COMMENTS

All the balances of cash and contingent facilities as at 30 September 1987 were confirmed by Dr Pharaon.

In view of the substantial reduction in the cash exposure during 1988, and additional security already lodged by the customer, and the stocks to be received, the clean exposure of US\$ 10 million is considered manageable and should not be viewed with concern.

10074

END 01641

## STATEMENT OF ACCOUNTS FOR G.S.P. GROUP

ACCOUNT NO.	LOCATION	PREVIOUS BALANCES FROM CONFIRMATION 30.09.1986	PRESENT BALANCES FOR CONFIRMATION 30.09.1987	REASON FOR VARIATION		BALANCE
				REDUCE	INCREASE	
11067721		\$ 10,561,331.00	\$ 12,513,191.00		Interest for the Year	
11067545		\$ 19,576,520.00	\$ 17,691,792.00		Interest for the Year	
11067082		\$ 17,592,361.00	\$ 20,496,825.00		Interest for the Year	
11066913		\$ 15,079,167.00	\$ 17,560,161.00		Interest for the Year	
11065517		\$ 20,620,331.00	\$ 13,172,950.00	REDUCE		
11065930		\$ 2,000,400.00	\$ 2,339,656.00		Interest for the Year	
11067339		\$ 12,070,657.00	\$ 10,030,862.00		Interest for the Year	
11067339		\$ 10,577,111.00	\$ 16,377,199.00		Interest for the Year	
		\$ 20,000,766.00	\$ 32,636,199.00		Interest for the Year	
11067555		\$ /	\$ 10,330,664.00	New Account		
11067369		\$ /	\$ 9,017,733.00	New Account		
11067321		\$ /	\$ 1,615,207.00	New Account		
11067376		\$ /	\$ /	Account closed		
11067349		\$ 4,390,390.00	\$ /			
11067766		\$ /	\$ 2,310,000.00			
11067816		\$ /	\$ 1,687,000.00			
11067226		\$ /	\$ 584,795.00			
11067267		\$ /	\$ 584,795.00			
11067267		\$ /	\$ 270,123.00			
11067306		\$ /	\$ 1,687,000.00			
11067367		\$ /	\$ /			
11067349		\$ 9,409,000.00	\$ 9,575,594.00		Interest for the Year	
11067559		\$ 10,500,000.00	\$ 10,500,000.00			
11066928		\$ 10,000,000.00	\$ 10,000,000.00			
11067265		\$ 10,000,000.00	\$ 10,000,000.00			
11067337		\$ 10,000,000.00	\$ 10,000,000.00			
11067153		\$ 8,500,000.00	\$ 8,500,000.00			
11066929		\$ 20,386,597.10	\$ 20,386,597.10			
11067271		\$ 9,760,901.10	\$ 9,760,901.10			
11066930		\$ 10,000,000.00	\$ 10,000,000.00			
11067364		\$ /	\$ 5,000,000.00			
NCCI (PARIS) LTD	Paris	\$ 610,301	\$ 701,993.00			
		\$ 11,349,445.00	\$ 11,349,445.00			
NCCI (PARIS) LTD	Paris	\$ 1,661,063.00	\$ 1,661,063.00			

17/1/87

FD01642

SEN 000701



LATIN AMERICA & CARIBBEAN REGIONAL OFFICE  
1200 BRICKELL AVENUE 15TH FLOOR MIAMI FLORIDA 33131-3288 U.S.A.

DATE February 25, 1988 EMP/ 6822

FROM S.M. Shafi TO Mr. Akhtar Anis  
BCCI-LAR-Caribbean International Division  
SUBJECT Centrust Savings Bank BCC London

Enclosed please find a renewal proposal for US\$5M facility for confirmation of sight Letters of Credit for Centrust Savings Bank. Financial data of the Bank and considerations for our recommendations are incorporated in the limit proposal.

Kindly advise clearance as early as possible.

Regards,

S.M. Shafi

Encl.

C 0002312

CARIBBEAN REGIONAL OFFICE  
1200 BRICKELL AVENUE MIAMI FLORIDA 33131 U.S.A.

November 18, 1986

Mr. David Paul  
Centrust Savings Bank  
Main Office  
101 East Flagler Street  
Miami, Florida 33131

Dear Mr. Paul:

I wish to take this opportunity to thank you for the hospitality rendered to us during today's lovely luncheon.

I hope we will be able to reciprocate by organizing a luncheon in our premises very soon.

I look forward to seeing you in the near future.

Regards,

Abdur R. Sakhia

PHONE: 305-374-0777

TELEX: 284080

CABLES: BANCRECOP

PHONES: 01-283 8566  
International in Luxembourg

TELEX: 892251  
A Subsidiary of BCCI Holdings (Luxembourg) S.A.

C 0002345



BANK OF CREDIT AND COMMERCE INTERNATIONAL  
(OVERSEAS) LIMITED                    LATIN AMERICA AND CARIBBEAN REGION  
ADMINISTRATIVE OFFICE                1200 BRICKELL AVENUE            MIAMI FLORIDA 33131

SEN 000507

June 28, 1988  
EMP/ 7821

Mr. Walter D. Shealey III  
President  
Centrust Savings Bank  
101 East Flagler Street  
Miami, Florida 33131

Dear Mr. Shealey,

Thank you for taking time out of your busy schedule to meet with us in our continuing search for ways to engage your fine institution in a mutually beneficial and profitable relationship.

We are indeed grateful for the cordial reception as well as the quality of our discussions. We hope that through further discussions we would gain better clarity and clearer perception of the business thrusts of our two institutions.

We have noted to liaise with Mr. Norman Stayton in meeting with the suggested Division heads at your bank as part of our on-going efforts to cristalize the relationship.

Thank you and regards to Messrs David Paul and Norman Stayton.

Yours sincerely,

Ola D. Wilson

Romit Basu

/iv



**LATIN AMERICA & CARIBBEAN REGIONAL OFFICE**  
1200 BRICKELL AVENUE 15TH FLOOR, MIAMI FLORIDA 33131-3268 U.S.A.

DATE April 28, 1988

FROM Ola D. Wilson/Romit Basu

TO File

SUBJECT CenTrust Savings Bank

Person(s) Contacted : Mr. Norman Stayton, SVP

BCC Calling Officer : Ola D. Wilson / Romit Basu

Purpose of the call was to follow-up on the necessary formalities of the relationship i.e- the opening of an account and the encashment opportunities. Mr. Stayton to our dismay and disappointment informed us that CSB has withheld a decision on our proposal pending the replacement of Mr. Stephen Chine , the Senior Executive Vice President who recently resigned from the bank.

Mr. Stayton however, assured us that it is a matter of time and we should not worry as our proposal in his opinion, is credible and that he would strongly recommend our proposal to Mr. Chine's replacement and the management of CSB.

We would continue to follow-up with Mr. Stayton and also elicit the assistance of Mr. Amjad Awan in presenting our proposal to Mr. Ameer Lodhi who is very well connected with CSB.

Ola D. Wilson

/iv



**LATIN AMERICA & CARIBBEAN REGIONAL OFFICE**  
1200 BRICKELL AVENUE 15TH FLOOR MIAMI FLORIDA 33131 USA

DATE

June 28, 1988

FROM Ola D. Wilson/Romit Basu

TO File

SUBJECT Centrust Savings Bank

**Persons Contacted** : Mr. David Paul, Chairman of the Board and CEO.  
 Mr. Walter D. Shealey III President  
 Mr. Norman Stayton, SVP

**BCC Calling Officers** : Romit Basu  
 Ola D. Wilson

**Purpose of Call** : Review L/C Business volume & determine encashment opportunities.

**Details of Discussions** : In response to our inquiries on the non-utilization of the US\$ 5 million line of credit, Mr. Shealey advised that Centrust Savings Bank handles little or no L/C transactions. CSB currently has about US\$ 700,000 L/C outstanding most of which are domestic standby L/C's for the bank's own account. The few trade L/C's were also for CSB's account and are in connection with the purchase of materials and equipment for the Centrust building, most were routed through Barnett Bank.

Mr. Shealey apprised us of the on-going restructuring within CSB and noted that CSB is in the process of outlining its Commercial Banking Trust and has taken steps to improve its delivery capabilities in line with that of the competition.

Mr. Shealey hopes that the Commercial Banking operations and the marketing of the associated services would be firmly in place by year end. Mr. Shealey further stated that their priority is to offer working capital loan and of required some trade finance lines as an ancillary service.

We expressed our desire to be the extension of CSB for all of its international banking requirements, and suggested that CSB in its planning strategy should look at Trade Finance as a profitable product which requires little or no capital expenditure. Our suggestion appeared to be well received. Mr. David Paul who shares the ownership of CSB with Gaith Pharaon expressed his goodwill and admiration for the management and business strategy of BCC and encouraged his people to find ways where the two institutions can mutually benefit. The suggested areas are Commercial Real Estate, Receipt/Clearing and Float management of Foreign currency instruments, Residential Real Estate Mortgage and Loan participation.

**BC**

Mr. Shealey requested Mr. Stayton to arrange meetings with the heads of the various division in CSB for purposes of further reviewing areas of mutual interests and benefits.

Ola is to follow-up with Mr. S. Stayton in arranging the meetings.



A handwritten signature in black ink, appearing to read "Ola D. Wilson". The signature is fluid and cursive, with a long horizontal line extending from the end of the "n" in "Wilson" across the page.

/iv



**BANK OF CREDIT AND COMMERCE INTERNATIONAL S.A.**  
NEW YORK AGENCY 320 FAIR AVENUE NEW YORK 10018

OUR REF. PTY.

DATE

**PAYING BANK**

The Bank of New York  
110 Washington Street  
New York, N.Y. 10015  
Att: Paying And Receiving Dept.

**ORDERING BANK**

Dear Sir:

To the debit of our account No. 91-2158 with you, please effect  
the following payment today in CHIPS./FEDERAL FUNDS.

Amount in figures \$ 290,000.00

Amount in words US Dollars Two hundred ninety thousand only.

Pay To: Manufacturers Hanover Trust Co., New York

For account of Banco Atlantico, New York for further credit to a/c of their Plaza Ac  
Cort 6r, 27-28 Palma De Mallorca, Spain Fug. a/c # 4116840000 of  
Cuskson "Nabila" with them

Their Ref: D/O : Andrew Khashoggi

Very truly yours,

**Authorized Signature**

PHONE: (212) 715 2800  
Incorporated in Luxembourg

**Authorized Signature**

TELEX. 425808 BCCI NY MT      CABLES BANCRECOM  
A Subsidiary of BCCI Holdings (Luxembourg) S.A.

PYT

3382/L

R244

RX-GT2 1121 EDT 03/05/86

MAR 05 1986 1123  
\*425808B BCCINY MT

BCCI 469183MC

TLX NO 5542 TS/GE DTD 5-3-86  
TO BCCI NEW-YORK  
FM BCCI MONTE-CARLOTEST NO ~~0000~~ FOR USD 290.000,- DTD 5-3-86VALUE 7-3-86 PLS PAY USD 290.000,- TO BANCO ATLANTICO  
PLAZA DE CORT 27-28 PALMA DE MAJORCA SPAIN FOR CREDIT OF  
CUSKSON ''NABILA'' A/C NO 4116640000 WITH THEM B/C  
ADNAN KHASHOGGI.

O/REF OTT/MC/NY/03/86 (.)

RGDS  
BCCI MONTE-CARLO  
\*425808B BCCINY MTBCCI 469183MC  
REPLY VIA ITTINTERTELE  
TELEX MESSAGE27  
MAR 5 1986  
EXPIRATION OF CREDIT & COMMERCE INTL  
NEW YORK  
AUTHORITY422-3400  
Conex. Bk.  
MantrustTHEY DISC.  
Elapsed time 00:01:34

PRINTED AT 1123 EDT 03/05/86

A 22318  
NY 0020779  
CONFIDENTIAL

DISK 2 PAGE 354  
MESSAGE # 533  
RCV LN 1

SEN 000739

264862 BCC LAR  
RCA MAR 27 1215

27TH MARCH 1986

CYM/SMA/8914

C.C. MR. S.M. SHAFI  
GENERAL MANAGER  
LATIN AMERICA REGION  
BCCI MIAMI

MR. AKHTAR ANIS  
EXECUTIVE IN CHARGE INTERNATIONAL DIVISION  
BCCI LONDON

SUBJECT: EURO BANK CORPORATION, GEORGE TOWN, GRAND CAYMAN

=====

REFERENCE YOUR TELEX LDN/4709/03G OF DATE, WE ADVISE YOU AS  
UNDER:-

EURO BANK IS A LOCAL SMALL BANK OPERATING ONLY OFFSHORE BUSINESS AND  
THEY DO PLACE FUNDS WITH US BETWEEN DLRS 1,000,000/- - DLRS 3,000,000.00  
TIME TO TIME.

WE WERE APPROACHED BY ONE OF THE DIRECTORS OF THE SAID BANK WITH  
THE PROPOSAL THAT THE BANK WILL DEPOSIT USDLRS 10,000,000.00 WITH US  
IN THE NAME OF A COMPANY WHICH IS UNDER FORMATION IN THE CAYMAN  
ISLANDS AT THE REQUEST OF MR. ADNAN KHASHOGGI, AND THAT COMPANY  
WOULD LIKE TO HAVE CREDIT LINE AGAINST THESE DEPOSITS WHICH WILL  
BE UNDER LIEN TO US TO WHICH WE HAVE NOT MADE ANY COMMITMENT.

THE ABOVE MATTER WAS DISCUSSED WITH US ONCE IN THE FIRST WEEK OF  
MARCH AND AFTER THAT NO FURTHER COMMUNICATION HAS BEEN MADE BY THEM.

IN CASE THE ABOVE BANK REVERT TO US AGAIN, WE SHALL REFER THE MATTER  
TO YOU FOR YOUR PERUSAL AND GUIDANCE WITHOUT ANY COMMITMENT TO THEM.

BEST REGARDS,

S.M. AKBAR  
BCCI GRAND CAYMAN  
264862 BCC LAR+1  
DURATION 242 SECS LISTED 0233 ???01-06-00

PAGE 360 IS NEXT

DISK 2 PAGE 365  
MESSAGE # 535  
RCV LN 1

264862 BCC LAR  
RCA MAR 27 1223  
264080 BCCMI UR  
MSG A742

THIS IS BCCI MIAMI TLX ROOM, WE ARE RELAYING THIS MSG  
TO THE ATTN: OF MR. S. M. SAIFI, WE QUOTE MSG BELOW

QUOTE

892251 BCCLNA G  
ZCZC BTX712 0055 0052 IPP591  
MIAMI/TD: BCCI MIAMI U.S.A.  
.002 TLX REF LDN 4709/03G 27.03.86

*Ms. Cecilia  
Pl. file  
3/27*

TO BCCI GRAND CAYMAN

ATTN MR S M AKBAR

EURO BANK CORPORATION, GEORGETOWN, GRAND CAYMAN

WE UNDERSTAND THAT THE ABOVE BANK HAS RECENTLY HELD DISCUSSIONS  
WITH OUR GRAND CAYMAN BRANCH FOR ISSUING A LETTER OF GUARANTEE  
FOR USD 10 MILLION IN FAVOUR OF BCC MONTE CARLO FOR MR ADNAN  
KHASHOGGI. KINDLY LET US KNOW WHAT PROMPTED THESE DISCUSSIONS?

IN VIEW OF THEIR SMALL SIZE AND BECAUSE WE DO NOT KNOW THEM WE  
WOULD NOT BE INTERESTED IN ACCEPTING THEIR GUARANTEE.

PLEASE BE GUIDED ACCORDINGLY.

REGARDS

AKHTAR ANIS  
INTERNATIONAL DIVISION

CC: MR S M SHAFI  
BCCI MIAMI

BANCRECOM LONDON

0057270386  
NNNN  
892251 BCCLNA G

UNQUOTE  
REGARDS  
BCCI MIAMI  
NNNN

264080 BCCMI UR

264862 BCC LAR....\*\br/>DURATION 205 SECS LISTED 0239 ??01-06-00

PAGE 370 IS NEXT

## STANDARD &amp; POOR'S REGISTER 1991

HE4057.AH1

IC.	<b>PRODUCTS:</b> Subminiature toggle & pushbutton switches <b>AMERICAN SYNTHETIC RUBBER CORP.</b> P.O.Box 32940, Louisville, Ky. 40222 Tel. 502-449-3200 <ul style="list-style-type: none"> <li>*Chair, Pres &amp; Chief Exec Officer—Dale W. Dordrill</li> <li>V-P (Fin)—William R. Tensil</li> <li>V-P (Prod)—Donald L. Schmidt</li> <li>V-P (Tech)—Gene Trotter</li> <li>V-P (Materials Mgr)—Richard T. Ernst</li> <li>Accts—Ernst &amp; Young, Louisville, Ky.</li> <li>Primary Law Firm—Citizen Fidelity Bank &amp; Trust Company</li> <li>Primary Law Firm—Greenbaum Dolin &amp; McDonald</li> <li>Sales: \$10M<sup>2</sup> Employees: 311</li> </ul>	
	<ul style="list-style-type: none"> <li>*Also DIRECTORS—Other Directors Are: Albert M. Bridell Jesseanne Scherle</li> <li>PRDUCTS: Time time carbon paper &amp; carbon inks S.I.C. 3655; 2093</li> <li><b>AMERICAN TEA &amp; COFFEE CO., INC.</b> 2500 Neiman St., Nashville, Tenn. 37202 Tel. 615-329-0077</li> <li>*Pres—Marvin E. Bubis</li> <li>Exec V-P—R. C. Coughrough</li> <li>Secy &amp; Treas—Bess R. Bubis</li> <li>Compt—James Clay</li> <li>Accts—KPMG Peat Marwick, Nashville, Tenn.</li> <li>Primary Law Firm—Finnegan, First &amp; Middle Tennessee Primary Law Firm—Bridwell, Cummings, Conner &amp; Berry</li> <li>Sales: Over \$10M<sup>2</sup> Employees: 100</li> <li>*Also DIRECTORS—Other Directors Are: Jeffrey H. Bubis</li> </ul>	
T	<b>PRODUCTS:</b> Coffee, tea, peanut butter, mustard S.I.C. 3095; 2093 <ul style="list-style-type: none"> <li>*Also DIRECTORS—Other Directors Are: Charles H. Ehlers Grant Gibson P. David Jones G. C. Kell P. C. Miller Andrew V. Peters Yves Treliu</li> <li>Pres—Marvin E. Bubis</li> <li>Exec V-P—R. C. Coughrough</li> <li>Secy &amp; Treas—Bess R. Bubis</li> <li>Compt—James Clay</li> <li>Accts—KPMG Peat Marwick, Nashville, Tenn.</li> <li>Primary Law Firm—Bridwell, Cummings, Conner &amp; Berry</li> <li>Sales: Over \$10M<sup>2</sup> Employees: 100</li> <li>*Also DIRECTORS—Other Directors Are: Jeffrey H. Bubis</li> </ul>	
	<b>PRODUCTS:</b> Polybutadiene rubber, latex & liquid rubber, and other butadiene rubber S.I.C. 2822; 3669 <b>AMERICAN SYSTEMS CORPORATION</b> 14200 Paul Meadow, Chemung, Va. 22821 Tel. 540-464-4300 <ul style="list-style-type: none"> <li>*Chair, Secy &amp; Treas—H. Thomas Curran</li> <li>*Pres—Forrest G. Ramsey, Jr.</li> <li>V-P—William R. Roberts</li> <li>V-P—John L. Ross</li> <li>Accts—Theodore Givson &amp; Co., Fairfax, Va.</li> <li>Primary Bank—Sovran Bank, N.A.</li> <li>Primary Law Firm—McGiffie, Grier, Whitney &amp; Hart</li> <li>Sales: \$80M<sup>2</sup> Employees: 1,200</li> <li>*Also DIRECTORS</li> </ul>	
air	<b>BUSINESS:</b> Systems engg. & tech. assistance for design & dev'l. of information systems, management of voice intelligence, local area networks, telecommunications & office automation sys., design, development & manufacture training systems & other electronic sys. & products S.I.C. 5111; 7773 <b>AMERICAN SYSTEMS &amp; EQUIPMENT CORP.</b> 49 Oliven St., Chelmsford, Mass. 01814 Tel. 413-334-2310 <ul style="list-style-type: none"> <li>Pres—Mark Barnes</li> <li>Sales Range: \$1—2M<sup>2</sup> Employees: 5</li> <li>PRODUCTS: Machine tool import &amp; dist.</li> <li>S.I.C. 5004</li> </ul>	
	<b>AMERICAN TACK &amp; HARDWARE CO., INC.</b> Robert Pitt Rd., Bronx, N. Y. 10922 Tel. 212-353-3460 <ul style="list-style-type: none"> <li>*Chair &amp; Secy—Edward H. Weinberg</li> <li>*Pres—James L. Weinberg</li> <li>V-P (Prod)—John J. Werby</li> <li>V-P (Fin)—Martin S. Weinstock</li> <li>V-P (Oper)—Richard Syrek</li> <li>Treas—Richard Frant</li> <li>Compt—Candy Peterson</li> <li>Dir. Asst.—A. Weinberg</li> <li>Prod Mgr—J. Weinberg</li> <li>Prod Mgr—L. Mandeski</li> <li>Dir. Asst.—John S. Kelly</li> <li>Nati Sales Mgr—L. Gordon</li> <li>Accts—Einer &amp; Lubin, New York, N. Y.</li> <li>Primary Bank—Chase Manhattan Bank, N.A.</li> <li>Primary Law Firm—Kaye, Scholer, Fierman, Hays &amp; Handler</li> <li>Sales Range: \$20—25M<sup>2</sup> Employees: 160</li> <li>*Also DIRECTORS</li> </ul>	
I	<b>PRODUCTS:</b> Threaded fasteners, nails, carpet ticks, nails, screws, bolts, other fasteners, picture hangers, decorative switch plates, hooks, tool holders, decorative metal brackets & hardware S.I.C. 3442; 3443 <b>AMERICAN TANK &amp; FABRICATING CO.</b> 13214 Harvard Ave., Cleveland, Ohio 44111 Tel. 216-323-1500 <ul style="list-style-type: none"> <li>*Chair—John J. Reich</li> <li>*Pres—Terry Lipchik</li> <li>Chief Exec Officer—Lawrence Lipchik</li> <li>V-P—John R. Lipchik</li> <li>Mktg Mgr—John R. Lipchik</li> <li>Mktg Mgr—Donald C. Behar</li> <li>Sales: \$15M<sup>2</sup> Employees: 100</li> <li>*Also DIRECTORS—Other Directors Are: Charles H. Doherty</li> <li>PRODUCTS: Plate fabrication, steel plate</li> <li>S.I.C. 3443; 3449; 3490; 3499; 3501</li> </ul>	
	<b>AMERICAN TANK &amp; FABRICATING CO.</b> 8467 New Peachtree Rd., Atlanta, Ga. 30341 Tel. 404-457-7521 <ul style="list-style-type: none"> <li>*Chair—Robert J. Bridell</li> <li>*Pres—Robert J. Bridell</li> <li>V-P—Jack Pfeiffer</li> <li>V-P—John Wayne Woodall</li> <li>V-P—John S. Brown</li> <li>Secy—Marceline Fulton</li> <li>Accts—Ernst &amp; Young, Atlanta, Ga.</li> <li>Primary Bank—First National Bank of Atlanta</li> <li>Primary Law Firm—Fowler, Goldstein, Frazer &amp; Murphy</li> <li>Sales: \$52M<sup>2</sup> Employees: 250</li> </ul>	
ic.	<ul style="list-style-type: none"> <li>*Also DIRECTORS—Other Directors Are: Albert M. Bridell Jesseanne Scherle</li> <li>PRDUCTS: Time time carbon paper &amp; carbon inks S.I.C. 3655; 2093</li> <li><b>AMERICAN TEA &amp; COFFEE CO., INC.</b> 2500 Neiman St., Nashville, Tenn. 37202 Tel. 615-329-0077</li> <li>*Pres—Marvin E. Bubis</li> <li>Exec V-P—R. C. Coughrough</li> <li>Secy &amp; Treas—Bess R. Bubis</li> <li>Compt—James Clay</li> <li>Accts—KPMG Peat Marwick, Nashville, Tenn.</li> <li>Primary Law Firm—Bridwell, Cummings, Conner &amp; Berry</li> <li>Sales: Over \$10M<sup>2</sup> Employees: 100</li> <li>*Also DIRECTORS—Other Directors Are: Jeffrey H. Bubis</li> </ul>	
	<b>PRODUCTS:</b> Ceramic capacitors S.I.C. 3645 <b>AMERICAN TECHNICAL CERAMICS</b> 1 Herndon Lane, Huntington Station, N. Y. 11744 Tel. 516-271-9600 <ul style="list-style-type: none"> <li>*Pres—Victor Inesta</li> <li>V-P (Mktg)—John Blumkin</li> <li>V-P (Admin)—Donald W. Mason</li> <li>Treas &amp; Cost—Thomas Belauer</li> <li>Accts—Arthur Andersen &amp; Co., Melville, N. Y.</li> <li>Primary Law Firm—Shea &amp; Gould</li> <li>Sales: \$24.45M<sup>2</sup> Employees: 500</li> <li>Stock Exchange(s): AMEX</li> <li>*Also DIRECTORS—Other Directors Are: J. J. Gerard O. Julian Gerrard C. J. O'Brien</li> <li>PRODUCTS: Ceramic capacitors</li> <li>S.I.C. 3645</li> </ul>	
c.	<b>AMERICAN TECHNICAL INDUSTRIES, INC.</b> (Subs: Papercraft Corp.) Papervue Park, Pittsburgh, Pa. 15236 Tel. 412-343-8000 <ul style="list-style-type: none"> <li>*Chair—Joseph A. Katz</li> <li>*Pres—Marshall P. Katz</li> <li>Sec V-P—Edward C. Setzer</li> <li>V-P &amp; Cost—James D. Kashin</li> <li>Compt—Oscar R. Goldimen</li> <li>Sales Mgr—Bruce Robinson</li> <li>Purch Asst—Ron Vuketic</li> <li>Accts—Arthur Andersen &amp; Co., Pittsburgh, Pa.</li> <li>Primary Bank—Bankers Trust Company</li> <li>Primary Law Firm—Fried, Frank, Harris, Shriver &amp; McCay</li> <li>*Also DIRECTORS</li> </ul>	
	<b>AMERICAN TECHNOLOGY, INC.</b> 75 Woodward Rd., Milford, Conn. 06440 Tel. 203-477-4514 <ul style="list-style-type: none"> <li>Pres—Michael Parton</li> <li>V-P—Guillermo L. Diaz</li> <li>Secy—P. H. Patrikios</li> <li>Accts—Cahill &amp; Larkin, New Haven, Conn.</li> <li>Primary Bank—Bankers Trust Company</li> <li>Primary Law Firm—Fried, Frank, Harris, Shriver &amp; McCay</li> <li>Sales Range: \$25—100M<sup>2</sup> Employees: 32</li> <li>PRODUCTS: Artificial Christmas trees &amp; wreaths</li> <li>S.I.C. 3645</li> </ul>	
I	<b>AMERICAN TECHNOLOGY &amp; INFORMATION INC.</b> 2550 S. Parker Rd., Bldg. 3, Aurora, Colo. 80014 Tel. 303-751-6100 <ul style="list-style-type: none"> <li>*Pres &amp; Chair Exec Officer—S. A. Dworak</li> <li>Exec V-P—Roy Southern</li> <li>V-P—M. M. Hensen</li> <li>V-P—Prod &amp; Fin Dir—John C. Hensen</li> <li>Prod &amp; Fin Dir—Kenneth D. Roszny</li> <li>Tech Dir—Omer Dworak</li> <li>Accts—Charles Phillips &amp; Co., Vancouver, B.C., Can.</li> <li>Stock Exchange(s): VAN</li> <li>*Also DIRECTORS—Other Directors Are: Lyle Knight Hernan Frem</li> <li>PRODUCTS: Television stations, multichannel dist.</li> <li>S.I.C. 4833</li> </ul>	
	<b>AMERICAN TELECOMMUNICATIONS CORP.</b> 700-815 W. Northwest Hwy., Skokie, Ill., 60077 VAC 184 Tel. 312-645-9177 <ul style="list-style-type: none"> <li>*Pres—K. R. Fox</li> <li>Chief Fin Officer—D. Henry</li> <li>Primary Bank—NCNB Total National Bank</li> <li>Primary Law Firm—Greenberg Irwin &amp; Weisinger, P.C.</li> <li>Sales: \$14.2M<sup>2</sup> Employees: 4,000</li> <li>*Also DIRECTORS—Other Directors Are: Glenn A. Britt Bill Caley Richie Parsons</li> <li>BUSINESS: Owns &amp; operates cable television</li> <li>S.I.C. 4841</li> </ul>	

Sales: \$4.95M<sup>2</sup> Employees: 43  
Stock Exchange(s): NA  
 \*Also DIRECTORS—Other Directors Are:  
Syd Zisseloff Allister R. Conrad  
Marion K. Hart Edward Anderson  
BUSINESS: Specialized long distance telephone serv.  
S.I.C. 4813

**AMERICAN TELEPHONE & TELEGRAPH CO.**  
430 Mountain Ave., Murray Hill, N. J. 07744  
Tel. 201-593-3000

  
 \*Chair & Chief Exec Officer—Robert E. Allen  
Vice-Chair & Chief Fin Officer—Morris Tassewski  
Vice-Chair—Donald L. Tobias  
V-P (Prod Rep)—James R. Billingsley  
Sr V-P (Strategic Plan & Cor Dev'l)—Richard S.  
Sr V-P (Prod Rep & Env Inf)—Marlyn Laurie  
Sr V-P (Human Resources)—Harold W. Burlingame  
Sr V-P & Gen Coun—John D. Ziegler  
Sr V-P (Prod Rep)—C. Michael Gill  
Sr V-P (Fin Mgt)—C. Gerald M. Lovre  
Sr V-P (Prod Rep)—John R. Saari  
Cor V-P (Env Inf Sales)—John R. Saari  
Cor V-P & Fin Coun—Robert Scannell  
Cor V-P & Fin Coun—John E. Devel  
Dir. Fin Coun—Roseanne Antonacci  
Accts—Coopers & Lybrand  
Revenue: \$36.1B<sup>2</sup> Employees: 215,000  
Stock Exchange(s): NYSE, SET, PAC, MID, CIN, PS  
 \*Also DIRECTORS—Other Directors Are:  
M. Kathryn Eichhoff  
James H. Evans  
Edward C. Johnson  
John F. Krops  
Donald F. McHenry  
Henry B. Schatz  
Franklin A. Thomas  
Peter J. Werner  
Thomas H. Wyman  
BUSINESS: Information movement & management  
S.I.C. 4812; 4813; 4899

**AMERICAN TELEPHONE & TELEGRAPH CREDIT**  
(Subs: American Telephone & Telegraph C  
44 Whipple St., Somerville, N. J. 07864  
Tel. 201-377-3000

\*Chair—M. Tassewski  
Vice-Chair—S. L. Prendergast  
Exec V-P & Chief Fin Officer—T. H. Rothman  
Sales: \$22.3B/3M<sup>2</sup> Employees: 607

\*Also DIRECTORS

BUSINESS: Lease financing

S.I.C. 6102

**AMERICAN TELEVISION & COMMUNICATIONS CORP.**  
(Subs: Time Warner Inc.)  
300 First Stamford Pl., Stamford, Conn. 06901  
Tel. 203-259-4600

\*Chair & Chief Exec Officer—Joseph J. Collins  
President—H. H. Korman  
Vice-Chair—P. Cartingham  
Exec V-P—John F. Giulii  
Exec V-P—Kevin H. Chiddis  
Sr V-P (Engg & Tech)—Thomas A. Chiddis  
Sr V-P (Prod & Fin)—Seymour J. Garber  
Sr V-P (Mktg Inf Serv)—Henry J. Garber  
Sr V-P (Prod & Fin)—David O'Harey  
V-P—William H. Brown  
V-P—Don E. Carroll  
V-P—Frank J. Chaisen  
V-P (Prod Rep)—John C. Cisneros  
V-P (Prod Rep)—Peter M. Dreicer  
V-P—Anthony S. Esposto  
V-P (O&G)—Timothy W. Eward  
V-P—William C. Frazee  
V-P—John J. Gleason  
V-P—Gayle L. Greer  
V-P—Jeffrey M. King  
V-P—John C. Kroll  
V-P (Cost Serv)—Robert L. McCleary  
V-P—Robert E. Nile  
V-P—Thomas K. Rockerby  
V-P—John N. Rutledge  
V-P—Carol C. Russell  
V-P—Jay L. Satterfield  
V-P—Jack W. Stanley  
Accts—Ernest & Young, Denver, Colo.  
Sales: \$14.2B/3M<sup>2</sup> Employees: 4,000

\*Also DIRECTORS—Other Directors Are:  
Glenn A. Britt  
Bill Caley  
Richie Parsons  
Herbert Schlesinger  
S.I.C. 4841

728

Kerry R. Fox, 214/690-9200

ORGANIZATION: AMERICAN-TELECOMM-CORP

TICKER-SYMBOL: AMTTF

GEOGRAPHIC: TEXAS

R3.10 Press Ctrl-Break to exit the Terminal option.

LEVEL 1 - .61 OF 67 STORIES

Dallas Business Journal;  
Copyright The Dallas Business Journal Inc 1990;  
Business Dateline; Copyright (c) 1990 UMI/Data Courier

April 9, 1990

SECTION: Vol 13; No 32; Sec 1; pg 8

LENGTH: 641 words

HEADLINE: ATC Expects First Quarterly Profit Despite Loss of Client

BYLINE: Frank Smith

DATELINE: Richardson; TX; US

BODY:

American Telecommunications Corp. has spent much of the past few weeks scrambling in the face of adversity to try and post the first profitable quarter in its history.

R3.10 Press Ctrl-Break to exit the Terminal option.

Dallas Business Journal (c) 1990 UMI/Data Courier

The 5-year-old Richardson company, which supplies specialized long-distance services to the hotel industry, lost one of its biggest customers in February. That's when Institutional Energy Management Inc. --which comprised almost 30 percent of its business -- told the company it was moving 58 hotel properties under its control off the ATC network and placing them on the network of Value-Added Communications Inc., an Oakbrook Terrace, Ill., competitor. ATC has filed a lawsuit against Value-Added alleging the company misappropriated ATC trade secrets.

Still, ATC reported an operating profit from January and February, and its chairman, Kerry Fox, said he's optimistic the company will show a profit for the quarter ended in March.

But Fox acknowledged it hasn't been painless.

The company has reacted to the loss of the IEM properties with a four-pronged strategy. It added IEM as a defendant in its lawsuit against VAC, alleging IEM breached a contract with ATC that it claims was valid until August 1991. The suit is expected to go to trial in July.

No matter how the trial ends, the company took a trio of other belt-tightening measures to combat the loss of the IEM business, which Fox R3.10 Press Ctrl-Break to exit the Terminal option.

Dallas Business Journal (c) 1990 UMI/Data Courier  
estimated could cost ATC about \$ 3.6 million per year.

The company released 10 employees in March, reducing its work force to about 45 as part of a cost-cutting program. ATC also began handling Canadian and overseas traffic for a number of its larger customers in early February. ATC provides service to about 200 hotels, all in the United States.

In addition, the company has upped its gross profit margins "by several percent," Fox said, thanks to recent negotiations with its bulk long-distance carriers, such as American Telephone & Telegraph Co., MCI Communications Corp. and ALC Communications Corp.

"We decided it's no good to mope about losing the business," Fox said, "so we've taken strong defensive action. We've been aggressively seeking additional customers and additional business."

What the company hasn't been looking for is new markets. Fox said the company has no immediate plans of diversifying beyond its niche of serving the hotel industry.

"There's a good reason for that," he said. "There are 60,000 hotels (in the United States). We have 200 of those. We haven't even begun to scratch the R3.10 Press Ctrl-Break to exit the Terminal option.

Dallas Business Journal (c) 1990 UMI/Data Courier  
surface. We feel it's better to be a significant player in a niche market than to be a small player in a very broad field."

In a deal unrelated to the IEM business loss, ATC late last month completed a financing agreement with an unnamed lender that will allow it to borrow amounts of up to 80 percent of its accounts receivable at what Fox termed a "substantially lower" interest rate than it previously had. Under previous agreements, Fox said, the company only could borrow amounts equal to 50 percent of its accounts receivable.

All told, Fox thinks ATC could turn a profit for the fiscal year ending June 30. Technically, the company had net income in 1989 of \$ 753,036 on sales of \$ 12.5 million. However, the company would have recorded a loss of about \$ 1 million had it not been for a one-time extraordinary gain of \$ 1.7 million realized from settlement of a prior lawsuit.

For the six months ended Dec. 31, 1989, ATC posted a loss of \$ 311,000 on sales of \$ 6.4 million. But in January and February, the company recorded its first two profitable months, earning \$ 14,679 and \$ 59,598, respectively.

The company also expects a business decision within the next month from three

January 7, 1992 1:49pm Page 1

1/5/3

5416176

American Telecommunications Corp  
1666 Firman Dr  
Richardson, TX 75081-1805

TELEPHONE: 214-234-5195

COUNTY: Dallas SMSA: 142 (Dallas-FT Worth, TX)

BUSINESS: Reselling of Long Distance Telephone Service

## PRIMARY SIC:

4813 Telephone communication, except radio  
48130102 Local telephone communications

OWNER CHANGE DATE: NA

ANNUAL SALES REVISION DATE: NA

	LATEST YEAR	TREND YEAR (1989)	BASE YEAR (1987)
SALES \$	NA \$	NA \$	NA
EMPLOYEES TOTAL:	NA	NA	NA
EMPLOYEES HERE:	20		
SALES GROWTH: NA %	NET WORTH: \$	NA	
EMPLOYMENT GROWTH: NA %			

SQUARE FOOTAGE: NA

NUMBER OF ACCOUNTS: NA

## THIS IS:

A BRANCH LOCATION

DUNS NUMBER: 18-150-0604

HEADQUARTER DUNS: 13-171-8132 American Telecommunications

CORPORATE FAMILY DUNS: 13-171-8132 American Telecommunications

REGIONAL-AREA MANAGEMENT: Cleveland, Carolyn /Branch Manager

1/5/4

3801686

American Telecommunications Corp  
1001 S Sherman Street  
Richardson, TX 75081-6518

TELEPHONE: 214-690-9200

COUNTY: Dallas SMSA: 142 (Dallas-FT Worth, TX)

BUSINESS: Reselling of Long Distance Telephone Services To Hotel and Payphone Industry

## PRIMARY SIC:

January 7, 1992 1:49pm Page 2

4813 Telephone communication, except radio  
 48130103 Long distance telephone communications

LATEST YEAR ORGANIZED: 1985 OWNER CHANGE DATE: NA  
 STATE OF INCORPORATION: TX DATE OF INCORPORATION: 07/26/1984  
 ANNUAL SALES REVISION DATE: 05/03/1991

	LATEST YEAR	TREND YEAR (1989)	BASE YEAR (1987)
SALES \$	2,600,000E \$	NA \$	NA
EMPLOYEES TOTAL:	23	23	23
EMPLOYEES HERE:	10		

SALES GROWTH: NA % NET WORTH: \$ 1,164,140  
 EMPLOYMENT GROWTH: 0 %

SQUARE FOOTAGE: 5,000 RENTED  
 NUMBER OF ACCOUNTS: 250  
 BANK: First Bank Nat Assn -duluth

THIS IS:

A HEADQUARTERS LOCATION  
 AN ULTIMATE LOCATION  
 A CORPORATION

DUNS NUMBER: 13-171-8132  
 CORPORATE FAMILY DUNS: 13-171-8132

CHAIRMAN: Fox, Kerry R /Chb & Pres  
 PRESIDENT: Fox, Kerry R /Chb & Pres  
 SECRETARY: Hanry, John D /Cfo & SEC  
 Patrick, Rose /Asst SEC  
 CHIEF FINANCIAL OFFICER: Hanry, John D /Cfo & SEC  
 MANUFACTURING-PRODUCTION VP:Fletcher, Charles /V Pres Operations  
 ? b 519

07jan92 13:55:15 User002073 Session D1006.3  
 \$5.40 0.050 Hrs File516  
 \$13.00 4 Type(s) in Format 5  
 \$13.00 4 Types  
 \$18.40 Estimated cost File516  
 \$0.54 DIALNET  
 \$18.94 Estimated cost this search  
 \$121.18 Estimated total session cost 0.275 Hrs.

File 519:D & B - Duns Financial Records Plus 6/91  
 (Copr. 1991 D&B)  
 \*\*FILE519: Effective Jan 1, 1992 there are new prices for types and  
 prints. Enter ?rates519 for new prices.

Set	Items	Description
---	-----	-----
? s dn=	13-171-8132	

LEVEL 1 - 2 OF 67 STORIES

Copyright (c) 1991 Business Wire Inc.;  
Business Wire

December 2, 1991, Monday

DISTRIBUTION: Business Editors

LENGTH: 192 words

HEADLINE: American Telecommunications Corp. temporarily exempted from filing

DATELINE: DALLAS

BODY:

American Telecommunications Corp. and its parent, ATC Inc. (NASDAQ:ATCIE) announced Monday that on Nov. 19, 1991, it was granted a temporary exception to the filing requirements established under NASDAQ bylaws.

Under the terms of this exemption, the company was required to file its annual form 10-K and quarterly form 10-Q with NASDAQ and the Securities and Exchange Commission prior to Nov. 20, 1991, at which time, NASD will re-evaluate the company's status. Both reports were filed on Nov. 19, 1991.  
r3.10 Press Ctrl-Break to exit the Terminal option.

(c) 1991 Business Wire, December 2, 1991

The company's trading symbol was changed from ATCI to ATCIE on Oct. 22, 1991, and will remain ATCIE until NASD has completed its evaluation process.

American Telecommunications Corp. is a broadly based provider of long distance telecommunications and management services to the hotel, motel and pay phone industries throughout North America. As such, it provides a full line of long distance services, operator and billing services and the installation and maintenance of specialized call accounting equipment.

CONTACT: American Telecommunications Corp., Dallas  
Kerry R. Fox, 214/690-9200

ORGANIZATION: AMER-TELECOMMUNICATIONS

TICKER-SYMBOL: ATCIE

GEOGRAPHIC: TEXAS

INDUSTRY: TELECOMMUNICATIONS

r3.10 Press Ctrl-Break to exit the Terminal option.

LEVEL 1 - 9 OF 67 STORIES

Copyright (c) 1991 Business Wire Inc.;  
Business Wire

July 12, 1991, Friday

DISTRIBUTION: Business Editors

LENGTH: 263 words

HEADLINE: ATC Inc. completes negotiations to acquire common stock of HF Communications Inc.

DATELINE: DALLAS

BODY:

American Telecommunications Corp. and its parent ATC Inc. (NASDAQ:ATCI) announced Friday that it has now completed negotiations to acquire all of the common stock of HF Communications Inc., a Miami-based privately held supplier of long distance services to the lodging industry.

This acquisition will add over 100 major new hotel customers to ATC's existing business base, primarily in Florida, Georgia, Ohio and New York. As R3.10 Press Ctrl-Break to exit the Terminal option.

(c) 1991 Business Wire, July 12, 1991

these new hotels are added to ATC's business base, the acquired company's operations in Miami and Atlanta will be gradually absorbed into ATC's operating systems at its Richardson, Texas, headquarters.

With these additional hotel properties, ATC will now provide its unique long distance services to over 1,000 hotels and 10,000 pay phones nationwide. With this additional revenue and expected growth of its existing business, ATC plans for net sales to reach \$25 million for its fiscal year which began July 1, 1991, up over 50 percent from the \$16 million in net sales which the company expects to report for the prior fiscal year ended June 30, 1991.

American Telecommunications Corp. is a rapidly expanding and broadly based provider of long distance telecommunications and management services to the hotel, motel and pay phone industries throughout North America.

As such, it provides a full line of long distance services, operator and billing services and the installation and maintenance of specialized call accounting equipment.

CONTACT: ATC Inc., Dallas  
Kerry R. Fox, 214/690-9200

R3.10 Press Ctrl-Break to exit the Terminal option.

(c) 1991 Business Wire, July 12, 1991

ORGANIZATION: ATC-INC

TICKER-SYMBOL: ATCI

LEVEL 1 - 28 OF 67 STORIES

Copyright (c) 1991 Business Wire Inc.;  
Business Wire

May 30, 1991, Thursday

DISTRIBUTION: Business Editors

LENGTH: 225 words

HEADLINE: American Telecommunications enters into negotiations to acquire common stock of HF Communications

DATELINE: DALLAS

BODY:

American Telecommunications Corp. and its parent, ATC Inc. (NASDAQ:ATCI) announced Thursday that it has entered into negotiations to acquire all of the common stock of HF Communications Inc., a Miami-based privately held supplier of long distance services to the lodging industry with service to some 100 major hotel properties in Florida, Georgia, Ohio and New York.

r3.10 Press Ctrl-Break to exit the Terminal option.

(c) 1991 Business Wire, May 30, 1991

This potential acquisition would add over \$6 million to ATC's annual sales and will be integrated into ATC's existing business base in Dallas. The company expects to complete its present negotiations and actually consummate this acquisition within 30 days.

With these additional hotel properties, over 30 of which are in Florida, ATC will become one of the major suppliers of hotel long distance services in the entire southeast part of the United States.

American Telecommunications Corp. is a rapidly expanding and broadly based provider of long distance telecommunications and management services to the hotel, motel and pay phone industries throughout North America.

As such, it provides a full line of long distance services, operator and billing services and the installation and maintenance of specialized call accounting equipment.

CONTACT: ATC Inc., Dallas  
Kerry R. Fox, 214/690-9200

r3.10 Press Ctrl-Break to exit the Terminal option.

(c) 1991 Business Wire, May 30, 1991

ORGANIZATION: AMERICAN-TELECOMM

TICKER-SYMBOL: ATCI

## PART III

## ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The Directors and executive officers of the Company and as of June 30, 1988, their ages and positions are as follows:

<u>Name</u>	<u>Age</u>	<u>Position with the Company</u>
Kerry R. Fox	63	President and Director
John D. Henry	41	Chief Financial Officer
Syed Ziauddin Ali Akbar	44	Director
Raymond R. Cottrell	48	Director
Edward G. Anderson(1)	34	Director
Marlene K. Hart	38	Director

- (1) Pursuant to an agreement with BG Acorn Capital Fund and First City Securities, Inc., participants in a private placement of securities of the Company, the Company agreed to nominate Mr. Anderson to the Boards of Directors of the Company and ATC for at least one term. In accordance with that agreement, Mr. Anderson was elected a Director of the Company on December 16, 1985.

Kerry R. Fox

Mr. Fox became President and Director of the Company in June 1985 and August 1984, respectively, and became Chairman of the Board and Chief Executive Officer of ATC in August and November 1985, respectively. From February 1982 to November 1984, Mr. Fox was Executive Vice President of Transmission/Switching for U.S. Telephone Long Lines, Inc., a wholly owned subsidiary of U.S. Telephone, Inc. From 1974 through 1982 he was employed by Rockwell International Corp., first as Vice President and General Manager of Rockwell's Collins Transmission Systems Division, then as President of Wescom Inc., a subsidiary of Rockwell and then as President of Wescom Communications Switching Division of Rockwell International.

Prior to this association with Rockwell, Mr. Fox was Vice President and General Manager for Communications and Electronics with Martin Marietta, in Orlando, Florida. Mr. Fox holds a B.A. in Electrical Engineering from the University of Michigan and did graduate work in Electrical Engineering at the University of Colorado and in Business Administration at the University of Maryland.

**John D. Henry**

Mr. Henry was elected Chief Financial Officer of the Company on June 9, 1988. Mr. Henry has previously served as Controller of National Pump Company, Inc., as Vice President of Finance for General Steel and Wire and as Chief Financial Officer for Energy Sources, Inc. In addition, Mr. Henry has over ten years experience as a financial and accounting consultant to both publicly and privately held corporations. Mr. Henry graduated from Texas Tech University with a Bachelor's Degree in Accounting and Business Law.

**Syed Ziauddin Ali Akbar**

Mr. Akbar has served as a director of the Company since November 1986. He is a Director of Futures Advisory Services Limited. His previous positions were Budget Officer of Commerce Bank Limited, Karachi, Pakistan, Accounts Officer, National Bank of Oman, Muscat and Incharge Center Treasury Division, Bank of Credit and Commerce, London. Mr. Akbar graduated from Osmania University, Hyderabad, India with honors and a B.Com and a M.B.A.

**Raymond R. Cottrell**

Mr. Cottrell was elected a Director of the Company in May 1984 and is currently President and major shareholder of Grey Point Capital Consultants Inc., a private British Columbia, Canada, company engaged in merchant banking activities. Formerly, Mr. Cottrell was Vice President and General Manager of Noramco Capital Corp. from September 1982 to December 1986. For more than three years prior to joining such firm in 1982, Mr. Cottrell was a private investor. Mr. Cottrell serves as a director of the following Canadian publicly held companies: Golden Knight Resources, Inc.; Gold Texas Resources Corp.; Colches Resources Ltd.; Com-air Containers (Canada) Inc.; and Enterprise Resources, Inc.

**Edward G. Anderson**

Mr. Anderson was elected a Director of the Company on December 16, 1985, as nominee of B.G. Acorn Capital Fund and First City Securities Inc. From July 1985 to June 1988, Mr. Anderson served on a full time basis as the Vice President responsible for managing the investments of B.G. Acorn Capital Fund, Toronto, Canada. From April, 1983 to July, 1985 he was employed as Manager-Investments of Royal Bank Venture Capital Limited, a subsidiary of Royal Bank of Canada. From September, 1981 to April, 1983, Mr. Anderson was account officer of Roynat Inc., a commercial lending institution. Mr. Anderson received an M.B.A. from the York University Faculty of Administrative Studies and a B.A. in economics from the University of Toronto.

**Marlene K. Hart**

Ms. Hart was elected secretary of the Company on March 25, 1988 and a Director of the Company on June 9, 1988. Since February 1987, Ms. Hart has been a Vice President of Grey Point Capital Consultants, Inc., a private British Columbia, Canada company specializing in merchant banking activities. Prior to that date, Ms. Hart was Assistant General Manager of Noramco Capital Corp., a private financing/merchant banking firm located in Vancouver, British Columbia, Canada, and prior to 1984, she was Office Manager for the law firm of Casey & O'Neill, Vancouver, British Columbia, Canada. Ms. Hart also serves as a Director of the following Canadian publicly reporting Companies: Enterprise Resources, Inc. and Polysource Industries, Ltd.

**ITEM 11. EXECUTIVE COMPENSATION**

The following table sets forth all remuneration, for services in all capacities, payable by the Company and its subsidiaries during the fiscal year ending June 30, 1988 for (1) each executive officer whose cash and cash equivalent forms of remuneration exceeded \$60,000 and (2) all executive officers as a group:

<u>Name of Individual or Identity Of Group</u>	<u>Capacity in Which Served</u>	<u>Compensation</u>
Kerry R. Fox(1)	President and Director of the Company. Chairman of the Board of Directors and Chief Executive Officer of ATC	\$80,000
Executive Officers as a group (2 persons)		\$130,000
(1)	Excludes the Company's obligation to provide Mr. Fox with (i) an apartment in Dallas, Texas, at a monthly rental of \$700 and (ii) coach air transportation between Dallas, Texas and his home in Florida which aggregated approximately \$5,000. Mr. Fox commenced employment on November 1, 1984. Any bonus payable to Mr. Fox is at the discretion of the Board of Directors.	

All Directors, who hold office for a one-year term or until their successors are duly elected and qualify, are compensated in their capacity as Directors at a rate of \$100 per meeting and are reimbursed for travel expenses.

#### ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information regarding the Company's Common Stock owned at June 30, 1988 by (i) each stockholder known to the Company to own beneficially more than five percent (5%) of the Company's Common Stock, (ii) each of the Company's Directors and (iii) all officers and Directors as a group.

<u>Name and Address</u>	<u>Shares Owned(1)</u>	<u>% Shares</u>
Kerry R. Fox(2) P.O. Box 694 Windermere, Florida 32786	713,700	10.9%

<u>Name and Address</u>	<u>Shares Owned(1)</u>	<u>% Shares</u>
John D. Laufman(3) 114 Krueger Road Aubrey, Texas 76227	400,000	6.2%
Syed Ziauddin Ali Akbar(4) F.A.S. House 107 Gray's Inn Road London, England WC1V 8TZ	352,102	5.3%
Edward G. Anderson(5)	120,500	1.9%
Raymond Cottrell(6)	78,000	1.2%
Marlene K. Hart(7)	26,000	0.4%
All officers and Directors as a group (6 persons)(8)	1,315,302	19.1%

- 
- (1) So far as is known to the Company, the persons named in the table have sole voting and investment power with respect to all shares of Common Stock shown as beneficially owned by them, subject to community property laws, where applicable, and the information contained in the footnotes to the table. Shares of the Common Stock not outstanding which are subject to options exercisable within 60 days of September 30, 1988 are deemed to be outstanding for the purpose of computing the percentage of outstanding Common Stock with respect to the holder of such options, but are not deemed to be outstanding for the purpose of computing the percentage of any other person.
- (2) Includes (i) 250,000 shares acquired by Mr. Fox from Noramco Capital Corp.; (ii) 45,000 shares acquired in a private placement of securities in April 1985; (iii) 213,700 shares acquired upon exercise of a Series B Warrants; (iv) 25,000 shares acquired upon exercise of a Directors Option; and (v) 15,000 shares acquired upon exercise of a Series Z-1 Warrant. The 250,000 shares are

held in escrow by the registrar and transfer agent, the Canada Trust Company, Vancouver, B.C. subject to the direction and determination of the Office of Superintendent of Brokers of British Columbia based upon the financial condition of the Company and other matters. The escrow restriction provides that such shares may neither be traded nor released nor may the Company, its transfer agent or escrow holder make any transfers or record any trading of such shares without the consent of such office.

Also includes (i) 40,000 shares issuable upon exercise of a Series 2-2(a) Warrant exercisable until expiration on June 10, 1989, at a price of \$2.00 per share and (ii) 125,000 shares issuable upon exercise of stock options exercisable at any time prior to June 9, 1991 at a price of \$1.19 per share.

- (3) Includes 100,000 shares owned by Mr. Laufman and 300,000 shares issued to Telecommunications Facilities Management, Inc. (TFM) and its designee in connection with ATC's acquisition of certain assets from TFM. 400,000 shares are held in escrow by the registrar and transfer agent relating to the Company's Common Stock and the release thereof is subject to the direction and determination of the British Columbia Office of Superintendent of Brokers. Among other things, the release of such shares is contingent upon the Company achieving prescribed cash flow requirements. While said shares are held in escrow they may be voted by the beneficial owner.
- (4) Includes (i) 177,102 shares held by Futures Advisory Services Ltd. ("FASL"), with which Mr. Akbar is affiliated, (ii) 50,000 shares issuable upon exercise of warrants held by FASL exercisable at any time prior to February 2, 1990 at a price of \$3.00 per share, (iii) 50,000 shares issuable upon exercise of warrants held by FASL exercisable at any time prior to April 27, 1991 at a price of \$2.00 per share, (iv) 50,000 shares issuable upon exercise of warrants held by Zesk Investment and Trading Company, with which Mr. Akbar is affiliated, exercisable at any time prior to August 5, 1991 at a price of \$1.25 per share and (v) 25,000 shares issuable upon exercise of a stock option exercisable at any time prior to June 9, 1991 at a price of \$1.19 per share.
- (5) Mr. Anderson is the nominee to the Board of Directors of BG Acorn Capital Fund which owns 95,500 shares of Common Stock, of which he may be deemed a beneficial owner. Also includes 25,000 shares issuable upon exercise of a

stock option exercisable at any time prior to June 9, 1991 at a price of \$1.19 per share.

- (6) Includes (i) 25,000 shares issuable upon exercise of a Series F-2a Warrant exercisable at any time prior to September 19, 1991 at a price of \$1.25 per share and (ii) 25,000 shares issuable upon exercise of a stock option exercisable at any time prior to June 9, 1991 at a price of \$1.19 per share.
- (7) Includes 25,000 shares issuable upon exercise of a stock option exercisable at any time prior to June 9, 1991 at a price of \$1.19 per share.
- (8) Includes 465,000 shares issuable upon exercise of warrants and stock options presently exercisable.

#### Options

Regulations of the VSE where the Company's shares have traded, provide, among other things, that up to 5% of the total shares outstanding at a given time may be reserved for Directors options, and up to another 5% may be reserved for employees options. The exercise price of such options may not be less than the market price of the shares on the date of grant, and optionees can only exercise their options by cash payment in full. All options issued by the Company have complied with such requirements. Since the delisting of the Company's shares of Common Stock on the VSE, Company policy with respect to stock options is governed by the office of the Superintendent of Brokers for the Province of British Columbia, which office has in the past generally applied the policies of the VSE.

The terms of stock options granted by the Company are determined by the Board of Directors from time to time in their discretion, subject to the provisions of law and the policies and regulations of the VSE or its successor ruling authority.

From inception in 1979, to June 30, 1988, the Company granted stock options pursuant to the policies set forth above for an aggregate of 383,000 shares of its Common Stock (including options for 75,000 shares which were cancelled). Stock options for 182,000 shares of Common Stock have been granted to management in their capacities as officers, directors or employees of the Company and options for 351,000 shares of Common Stock have been granted to non-management employees. As of June 30, 1988, options for all 182,000 management options and 162,000 of non-management employee

Record of proceeding of the International Conference of the Americas of the Bank of Credit and Commerce, held in the Continental Ballroom, Grand Bay Hotel, 2669 South Bayshore Drive, Coconut Grove, Miami, Florida, on Sunday, November 3, 1985, commencing at 11:00 o'clock a.m., the Honorable Agha Hasan Abedi, President, presiding.

PRESIDENT ABEDI: This is the first meeting--I see only one lady here, maybe more-- ladies and gentlemen-- the first meeting of BCC Global operation in this part of the world, which we call, for our purpose, the Americas, our operation in Canada, United States, Caribbean and Latin American countries.

For me it's an occasion of great significance, particularly because this meeting is being held in the wake of complete reorganization and restructuring that we have recently done in the Central Support Organization and some of the regions and subsidiaries, with the particular emphasis on the relationship between Central Support Organization and regions and at the same time interregional relationships.

I would be discussing at some length in the afternoon session about the importance, significance and virtue, I should call it, value of establishing support centers at Central Support Organization. To assist you all, all the regions and all the subsidiaries and affiliates, in our operations, the 72 countries, by relating ourselves with you.

I'm at the moment representing the support center from Central Support Organization which has been created and established for providing support through our relationship with you; and in this meeting it is our intention to identify and

And now we have gone a stage further. We are talking of a persons energy in its still being a dynamics of power as the power is playing itself.

A power is the power displaying itself. That is dynamics.

So we are talking of the power, which of course is not unrelated with energy. And energy is power. But in energy there is a quality which is power.

Are we talking a little more than energy system or not? And identifying just how the power plays and becomes the dynamics? We are trying to catch hold of this power, not between our two fingers but within our feelings. That is management.

We are far ahead of the managers as we were used to be and as the managers of most of the people, most of the organization are today, of the largest and biggest organizations. We have gone into the great depths of the secret and truth of management.

(Thereupon the conference was recessed for lunch at 2:02 p.m., and was thereafter resumed at 3:45 p.m.)

PRESIDENT ABEDI: Mr. Khan, believe it. I am enjoying your smoking as much as you are. Do you know why? Because I saw in your face a contentment and satisfaction which alone leads to your getting into yourself at the moment.

And this is what we want, to be able to feel our feelings our psyche. And at times, if possible, with the even facility that one would like to have at all times whenever he wants and at his command he should be able to withdraw into himself, not--"withdraw" is not the right word; but reach himself, and that he can only do by excluding everything else and from within himself and get into cosmic self, as Mr. Jafferji has said, so you get all the smaller environment by doing so and get into the totality of the environment when you get into yourself. So I just

found a little indication of that sort of thing happen to you. It's very pleasing.

I'm so delighted, Mr. Hillbery, you are here. Your presence makes all the difference; because three days ago I met Reverend Jesse Jackson in London, and I do not know the antennae in me catches everything in him and he said so that his antennae is more sharp, sharper than mine, and he catches things from me also. So it is--it's very important that we should have some people who respond to each other. That makes a big difference.

Yes, and he has such a way of saying things, expressing things, communicating. He was talking about the Geneva summit. And he said that this horse trading and this--these are not just his words, but he said something which he said so graphically. It has been going on for so long without much benefit or much results.

He said unless they also said good morning to you and they said good morning to each other, this trading business would not do. Change of heart.

I think before I start the meeting, I say "good morning" to you at this late hour in the afternoon in the sense he used it. It's a goodwill, it's expression of love, respect.

I'm so delighted really, that the territory that we have defined for our purposes that what we call Americas now is in the process, at least for the first time, of shaping itself into a dynamics. And we have begun to provide a direction and a purpose to this dynamics.

The largest number of people get involved in providing this direction and the purpose and contribute in providing it an order, together with the vitality that very name dynamics brings its meaning before you.

Here I may just tell you that it is providing this direction and this purpose, injecting purpose into this dynamics and providing it a direction, giving it a direction, is what

Senator KERRY. The hearing will come back to order. We are going to pick up where we left off. Senator Brown, I understand, still has a few more questions, so I will recognize Senator Brown and then pick up myself.

Senator BROWN. I wanted to go back to a previous area, because my understanding is that you testified earlier that Mr. Jackson had made specific recommendations with regard to BCCI's strategy in the Third World, and banking practices. To your knowledge, did Mr. Jackson make those recommendations? And if so, what were they?

Mr. CHINOY. Sir, I am not aware if he made any specific recommendations. All that was discussed with me was when he inquired from me if the central bank—if it would be profitable for BCCI branches if the central banks of different African countries banked with BCCI. And I said yes, of course it would. The account of any central bank is not only prestigious, it is also very profitable and gives a lot of prestige in the host country, in each country.

Senator BROWN. When did that comment come?

Mr. CHINOY. That comment came on his return trip from Africa when I visited him at the George V Hotel. When he inquired, he'd come back from Africa, he said he had seen the physical evidence of the visibility of BCCI in Africa and he had been impressed by it. And he said would it help the bank, and that's the—and I said yes, it would. And that's when he said he would discuss it with Mr. Abedi directly in London. When he inquired where Mr. Abedi was, I mentioned in London, and he said he would discuss it directly with Mr. Abedi in London.

Senator BROWN. And when he mentioned he would discuss it with the chairman, was the context that he would discuss his suggestion about obtaining the central banks' accounts?

Mr. CHINOY. That is what I understood, sir, that it was the suggestion which he had made. He would discuss that aspect with Mr. Abedi.

Senator BROWN. In what year was this?

Mr. CHINOY. In 1985, sir. End of 1985 or early 1986. The same trip which he made, he went from Paris, he went to Africa, he visited a number of countries in Africa, and then he came back to Paris within about 10 days.

Senator BROWN. Did BCCI have success in obtaining banking opportunities with central banks in Africa in the late 1980's?

Mr. CHINOY. Sir, we had success with central banks in Africa, yes. Now whether it was to Mr. Jackson's efforts, I don't know, or whether there were any efforts at all I'm not aware of. But we had success in getting a number of central bank accounts in Africa.

Senator BROWN. One last question. Are you aware of any other Americans who were entertained by BCCI in this manner?

Mr. CHINOY. Sir, in Paris we did not entertain any other Americans, though we—on one or two occasions we extended facilities to some people from Hong Kong.

Senator BROWN. How about in your other stations where you were for BCCI?

Mr. CHINOY. Not Americans. In Nigeria they paid for some bills of different people who came through. Oh, pardon, one minute, sir,

yes, Pakistan, I'm sorry. In Pakistan we paid the bills for an American, you said for Mr. Bert Lance, he was American.

Senator BROWN. In Pakistan.

Mr. CHINOY. Yes. I said I didn't recollect, but, no, when Mr. Bert Lance visited Pakistan sometime in 1979, I think, or early 1980, in 1979 or 1980, his bills were paid by BCCI.

Senator BROWN. In the other positions you had with BCCI, do you recall any other Americans?

Mr. CHINOY. No, sir, I don't recollect any other Americans.

Senator BROWN. Thank you.

Senator KERRY. Let me just come back for a moment, if I can, to the foundation that Senator Brown was talking about. The former president of the foundation was also chairman of the senate in Pakistan, was he not?

Mr. CHINOY. That is right, sir.

Senator KERRY. So there was a direct political link in Pakistan between the foundation and politics in that country.

Mr. CHINOY. He's the President of Pakistan at the moment.

Senator KERRY. The current President of Pakistan. And was it not true that some funds of the foundation were handed out to political people, that this was a convenient mechanism for avoiding bank regulation in the country?

Mr. CHINOY. Sir, I am not aware if there were. As far as it is a convenient method, that it could be useful, but I'm not aware whether any payments were made to any politicians.

Senator KERRY. It was my understanding that you had told my staff that it was used to give honoraria to retired politicians, bureaucrats, military people, and to create goodwill.

Mr. CHINOY. Sir, I said it could be used, as I mentioned earlier, for jobs, various jobs. If you wanted to do somebody a favor, you could appoint him.

Senator KERRY. Well did it or did it not? I do not want to get into what it could have done, I want to get into what you know it either did or did not do.

Mr. CHINOY. I think, sir, I heard, I've forgotten names of people, that one or two people were employed.

Senator KERRY. Do you have any personal knowledge of it?

Mr. CHINOY. I'm trying to think of the name of the person. I'd heard that one person, a retired gentleman who had been appointed.

Senator KERRY. That is something you heard.

Mr. CHINOY. Yes, sir. Because I'd been away from Pakistan for 12 years.

Senator KERRY. I would like to return, if I may, to some of the loose ends in the area that I was talking about with respect to the arms sales and transactions. You came to know of a man named Manucher Ghorbanifar, did you not?

Mr. CHINOY. Yes, sir.

Senator KERRY. And can you describe in what way you came to know of him?

Mr. CHINOY. I was on a trip to Monte Carlo, which I made every 2 months or so, 2 to 3 months, every—

Senator KERRY. What year was this?

Mr. CHINOY. It would be 1986 or 1987, sir, right. And then we were discussing various accounts and his name had come up in the papers regarding some hostage matters. And then it was Mr. Mounir Karim who mentioned to me that his account was with BCCI in Monte Carlo.

Senator KERRY. Well let me try to be more specific here. Manucher Ghorbanifar was the principal liaison between the United States, White House, National Security Council effort to release American hostages and the arms deals in 1985 and 1986, correct?

Mr. CHINOY. Sir, I do not know that.

Senator KERRY. Do you know that?

Mr. CHINOY. No, I have read about it in the papers, but I have no personal knowledge of it.

Senator KERRY. Well let me just say for the record that that is accurate and that Ghorbanifar's dealings with the White House stopped, eventually, after he flunked several polygraphs regarding the arms deals. The point I want to inquire about here is not that history, I merely identify him, but rather his relationship to BCCI. He did have an account with BCCI, did he not?

Mr. CHINOY. Yes, sir.

Senator KERRY. And you learned that in 1986, 1987.

Mr. CHINOY. That's right, sir.

Senator KERRY. How much was that account for?

Mr. CHINOY. Mounir Karim had told me that it was between \$2 to \$2½ million, CD.

Senator KERRY. And this came to be known during the course of the French elections.

Mr. CHINOY. That's right, sir.

Senator KERRY. And it became an issue, is that correct?

Mr. CHINOY. Yes, sir. Yes, it became an issue whether a particular political party was paying for hostages and so on.

Senator KERRY. And Mr. Ghorbanifar was alleged to be the go between in the payment process for the release of hostages. Is that accurate?

Mr. CHINOY. That is what I had read, sir.

Senator KERRY. So at that time you thought you ought to get rid of that account.

Mr. CHINOY. That's right, sir.

Senator KERRY. But you decided not to, and the reason you decided not to is that you were told what?

Mr. CHINOY. I was told by Mr. Mounir Karim that he was on good terms with the French authorities, with the American authorities, and with the Monte Carlo authorities. And we should not now push him out, and it was better to just allow the account to remain. We had a CD account and it was better and he was liked by the authorities of all three countries.

Senator KERRY. Now another individual by the name of Ben Banerjee came to your attention, correct? He was an arms dealer.

Mr. CHINOY. That's right, sir. He came to my attention in 1988.

Senator KERRY. And he was an arms dealer who lived in London and also banked at BCCI.

Mr. CHINOY. I understand with BCCI, London.

Senator KERRY. Now the committee has documents referring to sales of U.S. made TOW missiles to Iran by Mr. Banerjee through

Poland, involving BCCI. Other documents refer to accounts that he may have maintained in Paris. Do you know about those accounts in Paris?

Mr. CHINOY. Well, sometime in 1988, I don't remember the exact month, Mr. John Hillberry, a general manager of BCCI for public relations, called me to find out whether we had an account in the name of Devon Island.

Senator KERRY. Devon Island. D-e-v-o-n.

Mr. CHINOY. I-s-l-a-n-d.

Senator KERRY. Devon Island, all right.

Mr. CHINOY. And whether this account—and this account, he stated, was in Paris. I said I was not aware but I would check. Subsequently, I instructed the manager of the branch to check and report directly to Hillberry and advise me. The report I got was that an account had been established in 1984 or—sometime in 1984, 1985. The account was established, a number allocated, but no deposit had been received in the account so the account had not been an operative account. And that he had reported this matter to Mr. Hillberry.

Senator KERRY. And Mr. Hillberry told you of that.

Mr. CHINOY. No. Mr. Howard, the manager of Paris told me, and he reported to Mr. Hillberry this.

Senator KERRY. Is this the same Devon Island account on which both Mr. Ben Banerjee was a signatory as well as Lt. Col. Oliver North?

Mr. CHINOY. Sir, I do not know. No mention of this Oliver North was made to us at that time. But subsequently, some time in 1988, Mr. Setur Rahman came to me that—it was a 1987 or 1988—that Ben Banerjee had contacted him in Paris from London and was interested in obtaining facilities, a line of credit from Paris for sale of some equipment to Iran, what they call logistic equipment. [Pause.]

Senator KERRY. Did you want to add something?

Mr. CHINOY. Yes. Setur Rahman mentioned that Mr. Banerjee had also approached—was also approached or negotiating with London for facilities. I mentioned to Setur Rahman that if London is negotiating with the customer, we don't get involved. That's when I heard Ben Banerjee's name. Setur Rahman tried to convince me that Ben Banerjee was good business. He was big trader and had contracts and business into Iran. Iran would be importing large amounts and export a large amount of oil exports which could then be negotiated through Paris.

Senator KERRY. All right. Is it your understanding from what you have heard and learned, that Oliver North was a cosignatory of that note, of that account, Devon Island?

Mr. CHINOY. Yes, sir. My attorneys have—I had heard about it and they questioned me a couple of months ago and mentioned it to me. And it seems that he was a signatory on that account. In fact, they have mentioned to me that account and two other accounts also. And Mr. Oliver North's signature, they say, appears on those, on the signature card, but I haven't seen it personally.

Senator KERRY. The reason for this line of inquiry, just to inform people because I know it is a patchwork as you go from Ghorbani-far to Banerjee, but all of it adds up as part of the mosaic of what the relationship was of BCCI to these transactions at that period of

time. And many questions have been raised about both the CIA as well as Mr. William Casey's involvement, both with Mr. Abedi as well as with BCCI.

And there is a clear track here. Mr. Adnan Khashoggi, Mr. Ghorbanifar, Mr. Banerjee, and even Oliver North's signature with respect to this particular bank. And so the question grows with the evidence that grows, that there is a significant BCCI relationship in those transactions, and as to what the real size, if you were, of the BCCI relationship with these clandestine efforts, and that will stand on its own.

Let me turn now to some of the questions of the breadth of the criminal activities. We have talked about the BCCI Foundation. Let me talk about Nigeria, if we can, with you for a second. You were transferred by BCCI from Pakistan to Nigeria. Is that accurate?

Mr. CHINOY. Yes, sir, except for a short interim period of 6 months in London.

Senator KERRY. And in December of 1980 you went there the first time.

Mr. CHINOY. That is correct. That's right, sir.

Senator KERRY. Was BCCI in Nigeria doing well?

Mr. CHINOY. BCCI in Nigeria was doing very well.

Senator KERRY. What were the reasons for BCCI's success in Nigeria?

Mr. CHINOY. Partly they were paying a lot of attention to personal banking. Partly, they were ready to give a particular—they had influential shareholders in Bauchi, and partly they were given a certain special facility to importers which enhanced their profits to a great degree.

Senator KERRY. What was the type of corruption that you came to understand in Nigeria with respect to the bank's activities?

Mr. CHINOY. Sir, the bank had—one was the special letters of credit facility which I said, which enabled them to make substantial profit. And the other was—

Senator KERRY. What was corrupt about it?

Mr. CHINOY. You know they got a larger share of the business. What was corrupt about that was, sir, that according to the Central Bank of Nigeria, at that time letters of credit could only be established if you had 100 percent cash margin. The importer had to place 100 percent cash to establish a letter of credit. BCCI Nigeria, at this time—I was, sir, not directly involved in it because I was with BCCI, I was BCCI's representative setting up a merchant bank separately, so I was not in that office I was separate, but I heard of it and know that it happened.

That what was done was an import would go but instead, if he did not have the cash, he would be granted a loan in another name. The funds, proceeds of that loan, would then be deposited into the account in which he wished to establish a letter of credit. BCCI Nigeria would confirm to the Central Bank of Nigeria that the depositor had deposited 100 percent cash.

Senator KERRY. And of course, he did not, it was a total scam.

Mr. CHINOY. It was just a transfer entry, and they collected interest on the loan and the money was—this was one of the reasons too. They had excellent relations with the central bank and when

the repayment—Nigeria at that time was undergoing certain foreign exchange difficulties.

Senator KERRY. Was there—I am sorry.

Mr. CHINOY. No, sir.

Senator KERRY. No, I do not want to cut you off.

Mr. CHINOY. No, no, no, I have answered.

Senator KERRY. Was there also a process of skimming from public contracts?

Mr. CHINOY. Yes, sir. There was a large amount of money. I have no actual evidence, but the newspapers, international press, people in Nigeria knew that there were—international contracts were granted and many Nigerians got a fair kickback on payments abroad.

Senator KERRY. Was there an over invoicing of imports and exports—and underinvoicing of exports?

Mr. CHINOY. Yes, sir. There was both over invoicing—

Senator KERRY. So you pay for more goods than you receive and you get kickbacks on the other end, correct?

Mr. CHINOY. That's right sir. And similarly for exports, you receive larger amounts but you took the larger—you remitted a smaller amount back to Nigeria, keeping a percentage in London or also in international center.

Senator KERRY. Why did BCCI want you to start a second bank since this first one was doing so well?

Mr. CHINOY. At that time, sir, one, profitability was there. Two, they were having some difficulties with the existing directors of BCCI Nigeria, which came from the north of Nigeria, and they wanted to also establish a relationship with the Ibos from the east who were not on their board or major shareholders. So they wanted to also use the two groups against each other in case they lost one bank, or they lost the management of one bank, the other bank would be there to be utilized to continue the profits.

Senator KERRY. They were afraid also, were they not, of the potential takeover of the bank. Is that correct?

Mr. CHINOY. This is precisely it, the takeover. That the existing directors or shareholders, Nigerian shareholders, might take over the management of BCCI.

Senator KERRY. And they wanted to create another entity to protect themselves.

Mr. CHINOY. That's right, sir.

Senator KERRY. Now, were the payoffs to the central bank also crucial to the profits that were being generated in Nigeria?

Mr. CHINOY. Yes, sir.

Senator KERRY. And the consequences of these payoffs were what?

Mr. CHINOY. The consequences of these payoffs were that when foreign exchange was released to the commercial banks, BCCI Nigeria got a larger share than was due to them, and so their letters of credit were paid faster. Importers knew that if you opened an LC through BCCI, you'd be paid much quicker. Whereas others might take, say, 3 weeks or a month to have their foreign exchange, BCCI could get the money in a few days or a couple of weeks.

Senator KERRY. It sped up the process.

Mr. CHINOY. That's right.

Senator KERRY. Did BCCI make use of fictitious companies in order to deal with problems of doing business in Nigeria?

Mr. CHINOY. Possibly, sir, yes.

Senator KERRY. You say possibly, I do not want you to guess.

Mr. CHINOY. I was not in BCC Nigeria, but I feel it is a—

Senator KERRY. I understood that it was your testimony that they would make 100 percent advance in another name.

Mr. CHINOY. Yes, but the company—they might suggest to the importer, sir, to establish another company to whom the loan would then be extended, and that company didn't remain fictitious, it stayed for this purposes and small transactions got routed through it.

Senator KERRY. So you know that happened?

Mr. CHINOY. That's right, sir.

Senator KERRY. Were you required to give significant presents to people from the bank in order to smooth the way?

Mr. CHINOY. Yes, sir, in Nigeria presents are—a large amount of presents had to be given at regular intervals.

Senator KERRY. Give us a sense of that, what kind of presents? What sort of value?

Mr. CHINOY. Sir, it varied from maybe \$200 to \$300 to about \$5,000 to \$10,000.

Senator KERRY. And these were given to officials?

Mr. CHINOY. To officials and senior bureaucrats.

Senator KERRY. In order to do what?

Mr. CHINOY. In order to see that the release of foreign exchange and BCCI paperwork was processed fast, any request or anything BCCI had for BCCI customers, it received prompt attention.

Senator KERRY. Was this just a general way of doing business? Was everybody engaged in this or did BCCI excel at it?

Mr. CHINOY. BCCI did more than the others.

Senator KERRY. Do you know of other people who were engaged in this kind of activity?

Mr. CHINOY. I had heard that in Nigeria other banks also did it, but BCCI was better at it.

Senator KERRY. Why?

Mr. CHINOY. They paid more attention because it led to greater profits and it was done in a more organized manner.

Senator KERRY. Did BCCI handle government commodities contracts in which officials received kick-backs?

Mr. CHINOY. Yes, I don't have actual proof, but I am fairly sure, sir, it happened.

Senator KERRY. Can you describe what it is that you are sure happened?

Mr. CHINOY. Sir, a big company, a big corporation would get a contract in which there would be Nigerian shareholders who were to help them to get a particular railway bridge or construction of a bridge contract. Now if it was worth \$200 million or \$300 million, there would be—generally, there was some sort of payment to be made abroad. This payment, instead of being called a kick-back was referred to as a commission.

And the individual would have one of his cousins or some—or maybe even off-shore company acting as an agent and would pay

their sales commission or public relations commission to this off-shore company. That \$6 to 8 to \$10 million, whatever was paid would be there in the off-shore company.

Senator KERRY. Now you say you are fairly sure, you have articulated something with a sense of certainty and precision, how do you know that?

Mr. CHINOY. I heard various Nigerians talk about it. I know people in the land, I didn't actually—I was on the—

Senator KERRY. So you never personally effected that scheme?

Mr. CHINOY. I was not on the commercial bank, I was on the administrative—the setting up a new bank that did not actually go into any operative transactions.

Senator KERRY. But people personally told you of these transactions and described them to you?

Mr. CHINOY. That's right. I know it happened, that's right, sir.

Senator KERRY. Would an example be BCCI lending \$250 million to Nigeria to be repaid within 6 months for oil exports and then Nigeria would charge OPEC prices but would loan 10 percent more on the invoice and that way they would wind up giving a 10 percent discount and the money would be given to an account in London, placed with Lloyds, moved off to another bank and then swapped into different currencies, and in the end if there is a loss, Nigeria would bear it, but if there was a profit, the first significant—like 8 percent would go to Nigeria, but anything else, the traders and the bank, et cetera, would get it. Is that a fair description?

Mr. CHINOY. I think, sir, what was being—two transactions have been joined together, leading to an overlapping. One is the oil transaction, that what you mentioned. I had heard that in 1985, BCCI and one of the BCCI companies, closely associated to BCCI, Attock Oil, did a \$250 million deal, financed by BCCI.

And on which BCCI is reputed to have made \$25 million profit over the next 6 months. The second I think what you are referring to, sir, is Nigeria National Petroleum Corporation placing some funds with individuals or placing through some people in London, placing about \$400 or \$500 million in London for deposits or for foreign exchange transactions.

And if profits over 8 percent are made, they are shared between the individual and Nigeria. Yes, sir, that did happen.

Senator KERRY. Now you were working in this bank right up until the time of the indictment in Tampa.

Mr. CHINOY. That is correct, sir.

Senator KERRY. In 1989.

Mr. CHINOY. Yes.

Senator KERRY. You were aware of the purchase of the banks in Columbia, correct?

Mr. CHINOY. I had heard of it, yes, sir. I was aware of it, yes.

Senator KERRY. And you knew of the account that existed with General Noriega, correct?

Mr. CHINOY. I knew of General Noriega's account in London, sir, when I was in marketing, at that time I knew because I heard Mr. Sheikh was handling it and overseeing Panama, talk about the money which was coming in.

Senator KERRY. Was there a point in time that you came to understand that the bank was handling drug money laundering?

Mr. CHINOY. I was not told that, sir, but the growth of the Panama branch which was so openly talked about by Mr. Ameer Siddiki who was the number—in 1988 he was number 2. Before that, he was number 3 of the bank when Mr. Abedi was head of the bank.

He was heading the Americas and he used to talk very eloquently about the growth of Panama and the deposits that Panama had, almost \$900 million and he used to tell us that we were not exerting enough in Paris, to exert and push for deposits.

At that time one definitely got a feeling that how is it? Panama is not such a large country with such great economic resources. So there must be other avenues of making money and one of the things one thinks is that maybe this is drug money which is helping them, because we don't have it—in Paris and—we were exerting our best and we couldn't reach anywhere near those figures.

So the suspicion did come.

Senator KERRY. But suspicion, Mr. Chinoy, you are an intelligent man. You have been through a lot of banking experience in your lifetime and you are not naive. You worked in London, Pakistan, Paris, Monte Carlo. You were no stranger after your deals with Khashoggi which you refused, but you knew what was going on. You knew that there was an effort to attract dirty money.

Mr. CHINOY. Sir, we didn't care where the money came from. We took money. The objective was deposits and that is what we went for.

Senator KERRY. But didn't it go beyond that? It wasn't just that we didn't care where the money came from, there was an avaricious effort, greed inspired effort to reach whatever money could be found, to grow and to grow, was there not?

Mr. CHINOY. I have to agree, sir. I am sorry about what has happened, and I agree with you that there was an avaricious effort.

Senator KERRY. In terms of—you couldn't own banks in Columbia, in Medellin and not understand what they were doing, could you?

Mr. CHINOY. Definitely not, sir. You couldn't do it at that time. It was so glaring. It was there and yes, I agree. In fact, this growth which was talked to us so forcefully meant that they were taking drug funds, there was an access avenue there.

Senator KERRY. Now I have just described Nigeria or you have described Nigeria.

Mr. CHINOY. Right.

Senator KERRY. You have described what happened in Paris. You have described arms deals through Monte Carlo. You have described procurement of young women in Pakistan. You have described the First American relationship. Is there any question that this bank was criminal in almost everything it touched, wherever it went?

Mr. CHINOY. Yes, sir. The answer is yes.

Senator KERRY. It was?

Mr. CHINOY. Yes.

Senator KERRY. How did it come to be that way? Was this, what is the responsibility factor here? We have regulators, we have a

process that supposedly to prevent that, and yet here is this bank dabbling everywhere openly over the span of years, growing extraordinarily and it is not until there is a drug money laundering case in Tampa that something kind of gets into the cogs?

Mr. CHINOY. I don't know it happened, but all I can say is, it was there, and all I can say is that in the future, in the 1990's, there will have to be more regulation on international banks or controls, so not to allow this sort of this thing.

Senator KERRY. You saw the advertisement I read earlier today. Here is a bank, Pakistan, boom, no questions asked. Does this signal a change? How do you feel when you see this?

Mr. CHINOY. Sir, if I am not mistaken, is that the state bank? I can't see from here. Is that the state bank of Pakistan?

Senator KERRY. Yes, it is. I can't see from here, but it is.

Mr. CHINOY. If that is—the state bank of Pakistan I think is the Federal Reserve of Pakistan and I can't imagine when you said it this morning—

Senator KERRY. Guaranteed by the government—

Mr. CHINOY. I was taken aback, completely, because they have been very—all I am wondering is whether the foreign exchange certificates that they issued—what paper is it, which paper rather?

Senator KERRY. This appeared in yesterday's Wall Street Journal and this is a copy of yesterday but it also appears somewhat changed, a little softer in approach, but not really different in today's Washington Post. It is the state bank of Pakistan. These are on sale. You can rush out and get them today from March 15 to March 23. What does that say?

Mr. CHINOY. I don't know the answer to that.

Senator KERRY. Isn't that more of the same?

Mr. CHINOY. I don't want to comment on the federal reserve of Pakistan. I cannot comment on the federal reserve, I can't say anything on that, but I can talk of BCC if you want.

Senator KERRY. As a banker, as an individual understanding, what does this mean, this ad, to you as a banker? What is that invitation? Is that an invitation to hide money?

Mr. CHINOY. Hidden money would definitely move there, that much I can say.

Senator KERRY. Which means that criminal activities would find cover, correct?

Mr. CHINOY. Yes.

Senator KERRY. And too many banks in the world today are still capable of offering that kind of service, are they not?

Mr. CHINOY. Yes.

Senator KERRY. That's a problem, isn't it?

Mr. CHINOY. Yes, sir. It is a major problem unless people of their own conscience, as I said I am sorry, and their own conscience stops people from doing these things, they hold themselves, they themselves have a greater social conscience and realize the problems and the mess it is creating on other people, and the pain it is inflicting, misery and pain on other people. It is becomes an avenue.

Senator KERRY. Well, what was it? Was it the lack of regulation of BCCI in a central place that made it so easy to move or was

there some other ingredient in BCCI's operations that allowed it to be so successful in its criminal enterprise?

Mr. CHINOY. Sir, the lack of central control is partly or central regulation is partly, can be one of the reasons for it. The other was the corporate culture, the corporate culture.

Senator KERRY. The corporate culture internally in the bank or the corporate culture externally in the banking world?

Mr. CHINOY. Sir, corporate culture internally and to some degree, the corporate culture of the 1970's and 1980's where it was, the banks had a craze for deposits.

Senator KERRY. Now we are dealing with a bank where there is upward of \$15 billion disappeared, correct?

Mr. CHINOY. Correct, sir.

Senator KERRY. How did it disappear? Where did it go? Who has it?

Mr. CHINOY. This I don't know, sir. Most of them, from what I read in the papers, are loans from Cayman. I was not on the central credit committee and I don't know of any operations of Cayman. I never had authority even when I was in London to operate a Cayman account, because you know, accounts in Cayman were operated from London. Some people like had expenses and other things to debit and loans, for loans for Cayman were done from London. I did not have authority for that.

It was generally controlled by the top three or four people, and this seemed, from what I have read, they made major large loans and they could not have been sanctioned or approved. As far as I know, they would be of just a few people right at the top who would have sanctioned these loans and disbursed them, arranged for their disbursement.

Senator KERRY. Senator Brown.

Senator BROWN. Thank you.

I was interested in going back to some of the practices of BCCI, their banking practices. Specifically, with regard to the account of one of the development banks that the United States has helped fund, the African Development Bank. Is it true that BCCI bribed or made a payment to the treasurer for a \$100 million deposit?

Mr. CHINOY. Yes, sir.

Senator BROWN. What form did that payment take?

Mr. CHINOY. A percentage, one-sixteenth of 1 percent was paid by an account in Monte Carlo.

Senator BROWN. Was this done in secret as far as you know?

Mr. CHINOY. Yes, sir. I don't think anybody else in the management knew, in the management of the African Development Bank knew.

Senator BROWN. Was this unusual for your bank to bribe a treasurer of an organization to put money on deposit with you?

Mr. CHINOY. No, I don't think so, sir, in fact, the practice was in Paris, continuing in 1985. It was an existing practice in 1985 and I lost the first, just after I took over, I lost a \$15 million deposit because I had not been told that there is a payment to be made, and subsequently, I learned when I was told by the French officers that I lost it because I hadn't instructed them to make the payment. Then the practice continued.

Senator BROWN. In this country we used to have gifts that savings and loans put out for large deposits, but I don't ever recall \$50,000 being offered in that regard. The African Development Bank though is funded by the United States. I would assume that their deposits, particularly \$100 million cash or liquid position would be placed on a competitive basis.

Mr. CHINOY. The rates they took were very competitive. They always took rates, and they fought for rates. They took competitive rates.

Senator BROWN. So they wanted competitive rates, but to find placement involved a one-sixteenth payment.

Mr. CHINOY. That's right. If the rates, if the best rates weren't offered, they would tell you that these are the rates, we are going to shift the deposits. It was competitive rates plus this.

Senator BROWN. As far as you know, has this bribery ever come out, ever been investigated? Was anyone ever prosecuted?

Mr. CHINOY. No, sir, as far as I know.

Senator BROWN. The treasurer that received this \$50,000 payoff, do you know if he is still an employee of the African Development Bank?

Mr. CHINOY. I don't know, sir. I left in 1988 or 1989, I know that he had been removed from that position. I don't know where he is now. I don't know whether he is still an employee, specifically.

Senator BROWN. Do you know of other banks that engage in this same practice of bribing people to gain deposits?

Mr. CHINOY. Sir, I do not know of other banks. All I know is that commissions or brokerage is allowed and is paid, but not to an official of the same bank, that has become bribery. If paid to a broker or like we did pay for Morocco for deposits of a commercial bank in Morocco, but they placed it through one of the relatives of one of the people there.

Senator BROWN. Normally took the payments—

Mr. CHINOY. But that is a payment, that is also a gratuity.

Senator BROWN. Third parties then.

Mr. CHINOY. That's right.

Senator BROWN. My understanding is that the bank also engaged in schemes to pump up the reserves of certain countries so that the lending limits set by the World Bank could be manipulated. Would you describe that process for us?

Mr. CHINOY. Sir, in the morning, I think you were not here, Senator Kerry covered this. I think it was specifically referring to the rate ceiling of Pakistan.

Senator BROWN. Yes. I guess my question is, did that take place in other countries as far as you know?

Mr. CHINOY. I am not aware whether there are rate ceilings or borrowing limits or reserves were increased, all I know is that, yes, we gave a loan to Zambia of \$45 million in 1987 which helped Zambia to meet certain World Bank requirements, because the World Bank had stipulated that they had to make a certain—I think it was—I am not sure whether it was IMF or World Bank, one of the institutions had stipulated that they had to repay a certain installment by a certain date in 1987, November 1987 I think.

And in order to enable them to do it, as they did not have the resources to do that, BCCI made a \$45 million loan available in

Paris. Zambia did not come, in the Francophon, the region I was heading. The loan was authorized from London and placed with Paris. It came under—it was a separate region, southern African region, they placed the loan in Paris—

Senator BROWN. If the World Bank lending limits can be manipulated as in the Pakistani example, what do you think makes sense in terms of World Bank policy?

Mr. CHINOY. I think what you are referring to, IMF lending limits, not World Bank limits, IMF. So the policy is, people find avenues, if people—if individuals or institutions find avenues to circumvent them, it becomes—they only have to monitor them more carefully, but it is not that easy—there is always a law—there is always somebody finding a way to cut into it.

Senator BROWN. Are there corrupt, other corrupt banking practices that BCCI engaged that we have not covered yet this morning?

Mr. CHINOY. No, sir, I think I have covered extensively here, or with your staff almost everything I knew. My attempt has been to—and the staff has been very meticulous in questions and to try and extract the information.

Senator BROWN. You know, one of the things I would assume would happen is BCCI's reputation got around that they were quite a bit more flexible in the way they did business, that you would have proposals brought to you. Did that happen? Did you have illegal proposals brought to you?

Mr. CHINOY. That is true, sir.

Senator BROWN. When you had an illegal proposal brought to you, how did you respond? Who did you check with to clear it?

Mr. CHINOY. Sir, the process was the same, I mean, unless it was—if it was a lending proposal, you completed the credit proposal report, sent it up to London, it is was over \$5 million, you sent it up to credit division, London—

Senator BROWN. Just as if it was a legitimate proposal?

Mr. CHINOY. Yes, sir and of course, if it was something which was illegal or something, then you would discuss it with the head of credit or Mr. Naqvi, 90 percent with Mr. Naqvi.

Senator BROWN. So most of the proposals that could be thought of as illegal or corrupt—

Mr. CHINOY. He would know about it.

Senator BROWN. And give clearance on it?

Mr. CHINOY. Where he felt it was for the good of the—if we were going to make a good profit, he would clear it and give you the go-ahead.

Senator BROWN. Would you be authorized on your own to proceed with proposals that might be corrupt or illegal, or were you required to clear those?

Mr. CHINOY. You had to clear it. You had to clear it. Maybe a small proposal of \$10,000 to \$15,000 you might do, but otherwise you cleared it, and you didn't bother for a \$10,000 to \$15,000 proposal which wasn't legal. You didn't bother for it. It wasn't worth it. For big proposals you always cleared it with the management.

Senator BROWN. In your recollection, were there member banks that violated these rules that got in trouble, that did things on

their own that were corrupt that the bank later disciplined them for?

Mr. CHINOY. Excuse me, Senator, can I have that question again, please?

Senator BROWN. In your time with the bank, were there branches of the bank or institutions owned by the bank that simply proceeded off on their own with corrupt or unethical practices without clearing them with top management?

Mr. CHINOY. The possibility exists, Senator, but I do not think so. I think it was cleared with management. I mean, there may be an odd case. I'm not going to say that it didn't happen. It might be, but I think in most cases it was cleared with management.

Senator BROWN. In your experience who within a bank would be aware that the bank would engage in corrupt practices? Was it tightly held? Were there only one or two in each bank, or was this more widely known?

Mr. CHINOY. Oh, you mean in each unit, sir?

Senator BROWN. Yes.

Mr. CHINOY. No, I think it was tight. We had two or three in each unit, but no, not everybody.

Senator BROWN. Thank you.

Mr. CHINOY. Now, of course, if it's a payment like the payment of this interest on this deposit, more people knew because it was paid by debiting the brokerage account in Paris. There, more people knew, but otherwise two or three people would generally know.

Senator BROWN. But I would assume in that regard they might know about the payment. They wouldn't necessarily know that it was for an illegal transaction or a bribery scheme or something like that.

Mr. CHINOY. Sir, they knew. This particular deposit, they knew that it was to keep the deposits going.

Senator BROWN. It must have been very difficult to maintain the tight controls that every bank has to. I mean, if knowledge or an impression of that kind of activity became known.

Mr. CHINOY. Yes, sir. That's what Senator Kerry asked me of the larger loans, which implied the larger loans and the losses which took place of seven to eight to \$10 million, whatever it is, the figure which are being mentioned in the papers, these loans were not known to everybody. They were in Cayman. They were known, just as I said, to maybe a few people at the top. Nobody else. I don't think anybody else knew about it.

Senator BROWN. Would it be fair to describe the Cayman Islands as kind of the clearinghouse for shady transactions?

Mr. CHINOY. Yes.

Senator BROWN. So if you had something that would be questionable, that would raise questions, it was something that you——

Mr. CHINOY. A lot of it went through—I'm not going to say, because I've never been to Caymans or was involved, but I think a lot of it went through Caymans, this sort of activity. I mean, I know payments like this were made through Cayman like before, particular payments to different—to African countries and all. Before the region was transferred to Paris, a lot of it went through Cayman.

Senator BROWN. Well, let me ask you, if that is the way the Cayman Island banks operated or that bank, why in the world should any legitimate bank do business with the Cayman Island banks?

Mr. CHINOY. I have no answer to that.

Senator BROWN. Well, it just strikes me that we have been dancing around this question of corruption in the banking system, and this particular example and your testimony have been very helpful in understanding it.

We are in the process of looking for solutions, but maybe one obvious one is when you have a country that by its very nature encourages criminal activity and fraud and bribery and turns its head to clearly corrupt, dishonest practices, maybe one obvious solution is you simply quit doing business with that country's banks.

Thank you, Mr. Chairman.

Senator KERRY. I could not agree more. I think you are hitting the nail on the head here. I think this advertisement just really brings home the nature of the beast, here. You know, we require our banking institutions in the United States to report cash transactions up to, you know, the \$10,000 limit and so forth.

The minute you go off-shore, those very same institutions cease to be held to that same requirement, and our own banking structure has been burdened with a significant administrative load in an effort to try to assist the accountability process.

We have these fancy conventions in Basel where everybody talks about how the main principle of banking is to know your customer and you pick up an advertisement like this where they are literally advertising we don't need to know who you are. It is in direct contravention to what every country has signed as the standard banking practice internationally.

Frankly, the international authorities are just laughing at this process. They are not taking it seriously, and they are aiding and abetting criminal activity all over the world as a consequence of that, not to mention what they are doing to the tax base of countries where capital flight is such a significant part of the problem of being able to pay for the services that the average taxpayer who gets their taxes taken out of their paycheck has no alternative about, while everybody else at the upper level has their money, you know, bandied around from major account to major account through all kinds of corporate structures and avoids the same responsibility.

It is a disheartening institutionalized inequity that ought to make people a lot angrier. I hope these hearings are going to help us focus on it a little bit.

Senator BROWN. Mr. Chairman, in that regard, this as you have identified it, is an open invitation by the State Bank of Pakistan to commit bank fraud. I do not understand why our banking authorities simply cannot restrict U.S.-related banks from doing business with this outfit.

Senator KERRY. Well, most of these banks rely on the transfer of U.S. dollars at one point or another, correct?

Mr. CHINOY. That is right.

Senator KERRY. And we have a clearing system which requires them to bring those dollars at some point repatriated in some form

to book them in the United States. All we have to do is begin to say we are not going to do that. Isn't that fair?

Mr. CHINOY. Yes, sir.

Senator KERRY. Wouldn't that just totally throw a monkey wrench into the process as a banker?

Mr. CHINOY. The dollars never leave New York, sir. They are all in the New York clearing system. All dollars stay in the New York clearing system. Only book transfers to the names of various banks. The actual dollars stay in New York.

Senator KERRY. Mr. Ahmad is who, M. M. Ahmad?

Mr. CHINOY. Sir, he used to be in Pakistan. He is the director—he used to be director of the World Bank at one time, and before that he was in Pakistan, the head of the planning division.

Senator KERRY. Where would he have been on December 1, 1988?

Mr. CHINOY. In think in Washington. He had joined BCCI in Washington office.

Senator KERRY. Well, I'm going to enter into the record here a letter and memorandum from Mr. Ahmad to Mr. Naqvi dated December 1, 1988, in which he forwards a short note showing the legal regulatory and public relations and political aspects of the Tampa indictments against BCC.

Your name is listed, obviously, as one of those indicted, and at one point in the memo he suggests that the trial was prejudiced by wild, speculative, adverse publicity in the media, a charge of global money laundering, a statement of U.S. Customs officials, and a wild outburst of Senator Kerry, quote, kick them out. This is only the tip of the iceberg. BCCI is also involved in arms deals in the Middle East.

He offered at this point in time a series of legal, regulatory, and public relations efforts needed to deal with it, including appearance by senior BCCI officials on programs like Brinkley's of ABC, and so forth, the McLaughlin Group, and then there was a political aspect, paragraph 4, contact with Bush administration by friendly Arab countries and Pakistan activation of other contacts of well-connected persons known to us in the U.S.A.

Do you know anything about any of those kinds of contacts? Were you ever instructed?

[The information referred to follows:]

BANK OF CREDIT AND COMMERCE INTERNATIONAL  
SOCIETE ANONYME :  
REPRESENTATIVE OFFICE  
1687 K STREET, NW, WASHINGTON, D.C. 20006

December 1, 1988

Mr. Swaleh Naqvi  
Bank of Credit & Commerce Int'l  
100 Leadenhall Street  
London EC3A 3AD

Dear Mr. Naqvi,

I have drafted a short note showing the legal, the regulatory, the public relations, and the political aspects of the Tampa indictments against the BCC and nine of its officials. I have also listed some of the matters which need to be pursued. This may be of some help or use in the Head office.

With best wishes and high regards,

Yours sincerely,

  
M. M. Ahmad

cc: Mr. Ameer H. Siddiki  
Mr. Dildar Rizvi  
Mr. Mahmood A. Faruqui

Enc;  
MMA:ahk



CHARGES AGAINST BCCI FOR LAUNDERING DRUG MONEY

Indictment by US District Court (Tampa Division) is against nine staff members listed below:

<u>Name</u>	<u>Branch Location</u>	<u>Concerned Institution</u>
1. Amjad Awan	Miami	BCCI Overseas
2. Akbar Bilgrami	Miami	-do-
3. Syed Aftab Hussain	Panama	-do-
4. Saad Shafi	Bahamas	-do-
5. Nazir Chinoy	Paris	-do-
6. Sibta Hassan	Paris	-do-
7. Ian Howard	Paris	-do-
8. Iqbal Ashraf	Los Angeles	BCCI SA
9. Asif Baakza	London	-do-

as well as against

BCCI Holdings Luxembourg S.A.  
 BCCI International S.A. Luxembourg  
 BCCI International Overseas (Cayman Islands)

Besides there are congressional hearings relating to General Noreiga where Amjad Awan (Manager of Panama branch in early 80s) has appeared as a witness in response to a congressional subpoena.

SERIOUS NATURE OF CHARGES AND FACTORS INVOLVED

- (i) Drugs/Crime are sensitive and serious domestic issues in USA.

- (ii) Politics involved and highlighted during Presidential Campaign.
- (iii) Anxiety to implicate institution as a warning to other Banks.
- (iv) BCCI has no country base, its management is treated as foreign in USA and therefore draws less sympathy.

#### OUR OBJECTIVE AND APPROACH

First objective is to have indictment dropped against the institution even before the case goes to trial. Some of the reasons to support such a request are reproduced below:-

- (i) Bank management had no knowledge of alleged unlawful activities of individual members of its staff and has offered full cooperation in this matter to concerned authorities.
- (ii) No institution however vigilant can possibly vouchsafe good conduct of each and every member of its staff - in this case nine out of nearly fourteen thousand. These nine officials can in no way be described as constituting senior management.
- (iii) It is the expressed policy of BCC to strictly observe rules and regulations in each of the 73 countries in which they operate.
- (iv) It is unthinkable that BCC with annual pre tax profit of nearly \$200 million and a refreshing and impressive record of charitable activities (\$13 million in 1985, \$15 million in 1986 and \$21 million in 1987) could have any attraction in earning around US dollars two hundred thousand by violating laws and risk its reputation and image so vital for its health and growth; Nor can it be argued that an amount of \$14 million (in alleged money laundering) could have enhanced the financial position of a \$20 billion bank.

- (v) BCCI Holdings has no presence in U.S. and there is not even a prima facie case even for indictment against it.
- (vi) BCCI SA is marginal and the only substantial presence/or connection of staff concerned is with BCCI Overseas. Here for the reason given above a case for quashing the indictment before trial should be built on non-involvement of the institution in any form. Alleged wrongful or negligent action of individuals cannot be attributed to institutions unless there is a collaborative evidence of their involvement.

The dropping of the indictment against the Bank before trial will also protect it from another round of adverse publicity during the trial period.

Trial prejudiced by wide speculative adverse publicity in media (Charge of global money laundering, BCCI named as chief defendant); statement of US Custom officials (It is the first time as entire international financial institution and its important members are being indicted" in a money laundering case; "(BCCI) is not the vehicle but is complicit, in money laundering". Institution was "prostituting, itself to money laundering". If you have crooks for customers you are a crook") and the wild outburst of Senator Kerry "Kick them (BCCI) out". This is only the "tip of the iceberg", (BCCI) also involved in arms deals in the Middle East).

The Bank offered and has provided fullest cooperation to all authorities and is equally anxious to find out the truth and clear its name tarnished by wide unfair adverse publicity.

The lawyers should advise if and when it will be advisable to sue for damages those who without justification or evidence, have levelled wild unsubstantiated charges against the institution. This has hurt the Banks image and reputation and has put at risk the interest of its depositors (over the million in number) and its legitimate business.

FOUR DIFFERENT ASPECTS OF THE CASE

**1. Legal** Need is to engage eminent lawyers with professional competence in white collar crime and corporation experience and with political clout. If they make a plea it should command respect and attention and credibility.

It may not be wise to rely on any single source for their engagement.

They should be free of all prejudices.

**2. Regulatory** Contact with Fed and all Regional and other Regulatory Agencies in countries concerned. Explaining correct position and perspective with offer of full cooperation.

**3. Public Relation** Need is for

- Explaining through media correct position and perspective.

- Expose unfairness or discrimination.

- Articles by known columnist providing correct perspective and subtle projection of BCCI and its positive accomplishment, including large charitable contributions.

- Projection of positive image of BCCI through letters to editors in newspapers in different countries where its charitable/philanthropic activities have benefitted the sick, the poor and the youth.

- Appearance of a senior BCCI official from central management on TV programs like Brinkleys of ABC.

- Some discussion of the drug laundering problem in TV programs like McLaughlin Group (NBC) and Inside Washington (CBS) and the blown out and unfair projection of the recent BCCI case.

What is so far produced in the public is a well-drafted Advertisement in newspapers. Public Relations firm's other public activities are not known and the removal of the negative image in the public created by adverse publicity demands a more immediate and persistent response. Delayed vindication will otherwise appear at an unobtrusive back page of newspapers and will receive little attention.

4. Political aspect

Contact with Bush administration by friendly Arab countries and Pakistan.

Activization of other contacts of well-connected persons known to us in USA.

The pressure should be for a more objective and non-discriminatory treatment of the institution.

Mr. CHINOY. No, sir, I do not know anything about that.

Senator KERRY. Have you ever seen this memo?

Mr. CHINOY. No, sir, I've never seen it. In fact, in December of 1988 I had surrendered myself.

Senator KERRY. And you were in prison?

Mr. CHINOY. That's right.

Senator KERRY. So this is part of the defense effort that was mounted, is that correct?

Mr. CHINOY. It must have been, sir, but I'm not aware of it. It's the first time I'm seeing it.

Senator KERRY. OK. Let me just say a couple of things.

First of all, you have testified here this morning about corruption, widespread corruption, corruption in Africa. You've testified about laundered funds, about tax evasion schemes, kick-backs, illegal letters of credit, prostitution, bribery, false invoicing, phony loans and parking schemes, avoidance of banking regulations, and the illegal owning of banking institutions, illicit arms deals, and phony schemes for providing money for those deals, capital flight schemes, fraudulent stock transactions, and so forth. It is an extraordinary litany of criminal activity.

Senator Brown and I have both been following this and involved in it for some period of time, and we commented a few minutes ago that both of us are still amazed by the breadth of the activities that this bank engaged in.

I want to make it clear for the record, because you are going to be a witness in further legal proceedings, that the questions we have asked here today are knowingly asked with knowledge that some of the answers are inadmissible in court under the standard rules of evidence.

In addition to that, we are well aware—and I want the record to show it—that we have not probed every aspect of each of the areas with you because time doesn't allow it and the procedure here doesn't allow it, so that no question from our perspective is unanswered by you in the sense that you didn't provide us sufficient detail or something.

We recognize that there is more detail. We recognize there is more you could have told us, and it is not as if you are somehow withholding something from us today, or not telling something to us today. There simply isn't time today, and this record cannot by necessity reflect the breadth and detail that a criminal proceeding in a courtroom would reflect.

We would therefore caution anybody to try to suggest in any way that you have said one thing here and that you have amplified on it or added to it elsewhere. We are well aware that there is greater detail and significantly more that you could have talked to us about today, and we have knowingly not probed into those areas. Do you wish to comment with respect to that?

Mr. CHINOY. Yes, sir. If further details are required, I can provide much more details.

Senator KERRY. We are aware of that, and you have provided them to us. We have had meetings with the staff with you, and we are aware of that. I just want to make that part of the record with respect to any future proceedings, lest eager attorneys attempt to somehow suggest that this has been complete and that you some-

how didn't say something here that you might say elsewhere. We understand that, and we take your testimony today in full recognition and understanding of that reality.

Again, I want to thank the Justice Department, Assistant Attorney General Mueller and others for their cooperation. We are sensitive to their concerns about the legal process. This committee has no desire to somehow make that more difficult, and we recognize the real needs and we appreciate their cooperation here today.

Senator Brown, do you have any closing comments?

Senator BROWN. No.

Senator KERRY. If not, Mr. Chinoy, we appreciate your coming here today, and this committee will stand adjourned.

Mr. CHINOY. Thank you, Senator.

[Whereupon, at 12:43 p.m., the subcommittee adjourned, to reconvene subject to the call of the Chair.]

○